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Canadian Banker
383a
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147

JOURNAL

OF THE

CANADIAN BANKERS' ASSOCIATION

VOLUME VIII

CONTAINING

October 1900 to July 1901

ALSO

A COMPLETE INDEX—VOLUMES I TO VIII INCLUSIVE

53699
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TORONTO
MONETARY TIMES INTING COMPANY, LIMITED
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THE JOURNAL is published quarterly on or about the first day of the months of October, January, April and July, and is sent without charge to Associates. Bank officers may become Associates on payment of an annual fee of $1.00.

Anyone not eligible for Associate membership may subscribe for the JOURNAL at $1.00 per annum. Single copies are not for sale, but Associates and subscribers may obtain additional copies of any issue on payment of 25c. each.

Fees and subscriptions should for the present be remitted to the address of the JOURNAL, as given below.

Changes of address should be promptly advised.

Contributions are invited upon subjects directly or indirectly connected with banking, or dealing with any phase of the economic development of Canada. To the authors of accepted contributions the Committee are in a position to award moderate honoraria.

Communications for the JOURNAL should be addressed as follows:

The Editing Committee,
Journal of the Canadian Bankers' Association,
Toronto.

The JOURNAL is the organ of the Canadian Bankers' Association and is subject to the control of the Council for the time being, but neither the Association nor the Council should be regarded as responsible for the opinions expressed.

The matter admitted to its pages is passed upon by the central committee in Toronto, it being of course impossible to submit contributions to the corresponding members.

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Vol. VIII] [Number 1

JOURNAL
OF THE
CANADIAN BANKERS' ASSOCIATION

OCTOBER—1900

THE HISTORY OF CANADIAN CURRENCY, BANKING AND EXCHANGE.*

III. RE-CONSTRUCTION AND NEW SCHEMES

IN 1824 the Canadian banks were just recovering from the commercial crisis through which Canada, in common with the United States, had lately passed. So long as the bank notes had been required only as a circulating medium, the banks prospered and contributed an important service to the country, even though they were without the power to redeem in specie the greater part of their notes. This inability was simply an incident of the scarcity of specie in the country, which was itself the ground of the service which the banks rendered in supplying a medium of exchange. The bank notes had been put in circulation through the discounting of commercial paper, and the

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*Chief sources:
Dominion Archives; State Papers, Lower and Upper Canada.
Journals of the Assembly and of the Legislative Council, Upper Canada.
A History of Banking in the United States. By William Graham Sumner. Being Vol. I. of A History of Banking in all the Leading Nations. New York, 1896.
Kingston Chronicle, 1825-28.

debtors of the banks expected to meet their engagements not in specie, but in these same notes. The assumption of the merchants, sound so far as it went, was that the notes with which they had parted in the course of their business would return to them in the course of their business. Under the normal conditions of sound trading this would have been the case, and there would have been no special call for specie.

But when these calculations miscarried, when, under the disorganizing influences of a crisis, the debtors of the banks could not sell their goods and meet their obligations, and when the bank notes instead of returning to the banks in payment of debts, came back for redemption in specie, the banks found themselves in a very awkward position. The strain was felt by all the banks, but not in the same degree.

The three banks of Lower Canada had been taught moderation and caution in the matter of note issue, by the steady preference of the French Canadians for coin, and their custom of returning for redemption the majority of the bank notes which fell into their hands. On the other hand, the amount of coin thus kept in circulation in Lower Canada enabled the banks to replenish their vaults to the extent of the current demand. As regards the French Canadian; his prejudice insured safety but discouraged enterprise.

The business of the Quebec Bank at this time was confined to a comparatively narrow circle of merchants within the neighbourhood of that city. Having an unusually stable and compact constituency the bank was able to weather the storm without any considerable loss.

The Montreal banks had a much larger circle of note holders and customers, the latter characterized by western enterprise and its accompanying risks. The Bank of Montreal had the advantage of being able to secure the greater part of the specie and exchanges disposed of by the agents of the Imperial Treasury. Nevertheless, its losses through commercial failures were heavy; about £80,000 altogether. Its wealthier supporters were severely taxed to maintain its credit; dividends were suspended for a couple of years, and the stock fell forty to fifty per cent. Still, it managed to come through in a solvent condition, and to maintain an outward serenity which by no means reflected its inner counsels.

The other bank in Montreal, the Bank of Canada, not having the same resources, was so crippled that it was compelled to succumb, ultimately finding absorption in the Bank of Montreal.

In Upper Canada there had been an almost free field for the unchartered Bank of Upper Canada at Kingston. This institution was started by men of enterprise and character but unskilled in the mysteries of banking and without adequate capital. Yet prudence, capital, and sound knowledge of banking were more necessary in the upper than in the lower Province.

The experience of the first Bank of Upper Canada was the same as that of dozens of similar institutions in the newer regions of the United States. Untrammeled by the prejudices of the French Canadians, the bank was surrounded by settlements so straitened for a medium of exchange as to be eagerly receptive of any respectable currency, and filled with amateur merchants and traders, more noted for ambition than for experience or capital. The bank had no special command of specie, and was altogether in a most unfavourable position to meet a general crisis accompanied by the usual specie famine. Its respectable paper surplus of assets over liabilities was as chaff before the wind, and when the strain came the institution went down like a house of cards.

To complete its ruin the Provincial Government undertook to direct the winding up of its affairs. In its wisdom the Government first declared the bank to have been simply a pretended and illegal affair from the beginning, and yet expected to enforce the claims held by it. For years the Government, through successive sets of commissioners, laboured at its self-imposed task with an exemplary solemnity. While creditors and debtors alike went bankrupt or prospered afresh, remained where they were or moved off to begin life anew, in this world or the next, the agents of the Government covered acres of paper with all manner of bewildering calculations, lists of names, claims and counter claims; carefully rolling up interest against the bankrupt, the vanished and the dead; fulminating with lawyers' letters, and otherwise living beyond their income. One set of commissioners, so completely at sea as to have lost all sense of danger, attempted to enforce by legal process a few test claims, and in the end thought themselves fortunate in escaping from court without having judgment for damages recorded against them. Their successors confined their attention mainly to book-keeping and reports to the Government, accompanied by petitions for funds, as the amounts collected did not cover their expenses. Gradually, as one follows the records from year to year, the trail of this majestic attempt at liquidation grows fainter and fainter, until, somewhere in the troubled years of the thirties, dust and oblivion have finally enshrouded the untombed remains of the first of Canada's broken banks.

The chartered Bank of Upper Canada at York had not developed its business before the crisis was well over. Having a strong political and social connection, it was ready to take fortune at the flood and ride forward on the next wave of prosperity which passed over the continent.

Though characterized in its earlier days by rather loose business methods, due to lack of experience, and distinguished more for class favoritism than for liberality and wise enterprise on the part of its directors, yet it was on the whole a well managed institution, and before the next crisis had arrived it had developed strength, acquired experience, and attached to itself many new interests.

We get an interesting view of the bank and its prospects in 1825, from one of its founders, Mr. J. H. Boulton. While in London that year Mr. Boulton, at the request of Mr. Wilmot Horton, Permanent Under Secretary of State for the Colonies, prepared a sketch of the constitution and business of the bank. In addition to particulars already given, he stated that the directors consisted of members of the Council, crown officers and other gentlemen connected with the Government of the Province, together with four official representatives of the Government, and a few men in commercial life. He thus frankly admits that the bank was in the hands of the governing body known to history as the Family Compact. This, however, he considers to be a particularly strong feature in favour of the bank. The directors, he says, of most of the other banks of Canada and the United States, are commercial men who naturally have a special eye to their own interests. But commercial men are in so complete a minority in the Bank of Upper Canada that there is no opportunity for favouritism. Apparently the members of the Government party were above suspicion in the matter of favouritism. Or more probably he believed, with his associates of the Compact, that when men are merely exercising their own peculiar privileges they cannot be regarded as acting selfishly.

Nevertheless it was quite true that the stability and strength of the Compact, with its command of the Government support, gave to the bank great credit and security in the eyes of the public. This justifies the further statement by Mr. Boulton that the confidence of the public in the bank was unbounded, and that its notes were at par, not only throughout Canada but along the American border, and only at a slight discount in New York. Almost from its beginning the bank had paid dividends of from eight to twelve per cent. on the capital paid in.

The business of the bank, according to Mr. Boulton, consisted chiefly in discounting promissory notes, generally for ninety days, at the rate of six per cent., and the buying and selling of exchanges and bullion. The notes in circulation amounted to something over £70,000, which was about double the amount of paid up capital. About £50,000 of the notes were estimated to be circulating in Upper Canada, and the remainder in the United States and Lower Canada.

These notes, he says, form the greater part of the circulating medium of Upper Canada, as the only specie which finds its way into the Province is that issued by the Commissariat to the troops.

The banks of the United States and Lower Canada, he continues, are all chartered on the same general principles as the Bank of Upper Canada, with the exception of the participation by the Government in the capital and management of the latter, which is a great advantage to the bank of Upper Canada in point of stability.

Incidentally he has the following observations to make on the general banking system of America. Though the United States are fairly overrun with small banks, extending to almost every little town, "yet, owing to their constitution, there are nothing like the number of failures there which take place in England, in proportion to the number in operation in the two countries. This, I say, arising from the differences of their constitutions, for I should be sorry to allow myself to think, as an Englishman, that it arises from the better character of the parties managing them." In fact he thinks that the system of banking as carried on in America, including Canada, could, with great public advantage, be introduced into England. The audacity of this counsel is quite charming when we consider that the English authorities at this time had adopted a policy of restriction on the note issue of the British banks with the object of forcing on the country a larger employment of metallic currency, and were seriously considering the possibility of extending similar restrictions to the North American Colonies, where, from their point of view, the evil was immeasurably greater.

With returning prosperity and the undertaking of many new colonial enterprises, both private and public, the profits to be had from the business of colonial banking and exchange began to attract attention, not only in the colonies but in Britain and the United States. This was stimulated by the effort, begun in 1825, to establish a uniform currency throughout the Empire.

Several banking and exchange projects were submitted to the Imperial Government, wherein profit and patriotism were to be combined, and the currency of the North American Colonies brought into harmony with that of the mother country. The central idea of these plans was essentially the same as that which afterwards actuated the founders of the Bank of British North America.

Though nothing came of these projects at the time, yet some of them are interesting as illustrating the ideas of the period with reference to the functions of banks in the colonies, and as exhibiting a vigorous faith in the capacity of systems of exchange to equalize international trade.

The first of these schemes was set forth by a Mr. Forbes in a formal communication to Mr. Wilmot Horton, already mentioned as the Permanent Under Secretary of State for the Colonies. It is dated London, August 24th, 1826.

Mr. Forbes puts himself into harmony with the aspirations of the Imperial Treasury at the time, by enlarging on the political and economic importance of a uniform currency as between Britain and her colonies. Trade follows the currency; a common currency is the strongest link of empire; are the new cries of the imperialist, Nevertheless, Mr. Forbes thinks there are some defects in the plans adopted by the Government. The three per cent. charge for bills of exchange on the Treasury is quite a tax upon commerce. Further, since the normal condition of Canada is one in which the imports considerably exceed the exports, there is certain to be an under supply of the usual Government and commercial bills. This forces Canadian importers to collect and export, regardless of the state of the British market, ordinary products such as grain, lumber, or potash, often to the loss of the merchants and the discouragement of British trade. As the counterpart of this, the anxiety to obtain bills causes the British silver in the colony to be returned to the Military Chest, and the American silver to be sent to Boston and New York to compete for bills there. To the same extent it checks the American demand for British goods by raising the price of exchanges. This draining away of the circulating coin in Canada enlarges the field for the notes of the Canadian banks. The evils of such a condition are enlarged upon with all the confidence of the prevailing policy of the day, to enlarge the metal and curtail the paper in the national currency.

So far Mr. Forbes's argument, though assumed to be unquestionable, is far from sound. The difficulty of finding bills of exchange to make payment for an excess of imports is not an abnormal one to be overcome by an improved system of manipulating the exchanges. It is a very permanent and salutary difficulty; being a normal and automatic check upon overtrading. It is a check, moreover, which does not in the slightest interfere with that apparently one-sided trade, the importation and investment of foreign capital which to a very large extent comes in in the shape of goods. Though not offset by the export of ordinary wares, yet such importations are effectively balanced, as far as the exchanges are concerned, by the export of securities for the investment.

But Mr. Forbes touches upon a very real difficulty in connection with Canadian banking and exchange, when he describes how the banks are able to maintain their redeemable notes in circulation, while there is at the same time a premium demand for specie and foreign exchanges. The bank notes being redeemable in coin, why should not the importers collect bank notes, claim specie for them at the banks, and then either export it or buy Government bills from the Commissariat, or commercial bills in the American cities? A glance at the list of legal tender coins will afford the answer. For their own protection the banks tendered, in payment of their notes, worn specimens of the most over-rated coins on the legal tender list, usually French half-crowns and pistareens.

Thus, though nominally circulating freely redeemable notes, the banks were really issuing notes redeemable at a heavy discount. At the same time the banks could, and did, when it suited their convenience, favour certain individuals with British silver or American dollars in exchange for their notes. Of course the banks could hardly be held responsible for the condition of the law of legal tender. Yet the existing condition of affairs was very unsatisfactory, and, as we shall see, was the occasion of much complaint against the banks.

To overcome these evils and to regulate the exchanges were the objects of Mr. Forbes's projected bank. He proposed to organize a company with a capital of £500,000, or more if necessary. To this company the Government was to grant permission to issue a colonial currency, to consist of re-stamped Spanish dollars, with the arms of the colony in which they are intended to circulate on the one side, and the chief features of the charter of the company on the other. These coins were to pass current at the rate of five shillings sterling and to be exchangeable at par, on demand, for bills upon the London office of the company. The re-stamped dollars would thus be simply silver bank notes redeemable in exchange on London. But, in addition to this, the company was to be permitted to circulate a certain proportion of paper notes. Apparently these notes were to be redeemable only so long as the colonies remained loyal to Great Britain, for it is held to be a special virtue of the scheme that financial ruin to the colonies would be the penalty of attempting to throw off the imperial yoke.

The company expected to undertake the whole of the home Government's colonial exchanges for America, then carried on by the Commissariat Department. It was also anxious to secure the business of the Canada Company.

As to the existing banks in the colony, it was proposed that they should simply be merged in this larger enterprise which, like the modern trust, would cover the whole field. Since the capitals of the existing banks would probably supply all the needs of the colonies, the capital subscribed in Britain would would not require to leave that country.

Such was Mr. Forbes's comprehensive scheme, which was to unify the Empire, permanently maintain the exchanges at par, and enable the people of Britain to sell larger quantities of goods to the colonies, and get their returns for them in cash, without embarrassment either to themselves or the colonies. Mr. Forbes was by no means alone in his confidence in the reality of such castles in the air. Many seemed to overlook the simple observation that if the exchanges were steadily at a premium, owing to an excess of imports of all kinds over exports of all kinds, the establishment of a free exchange at par, in return for the common currency of the colony, would simply throw the pressure back upon the currency. In other words there would soon be a currency famine, accompanied by a high premium on it owing to its accumulation in the exchange offices of the company.

The currency could be returned to circulation only by means of loans to the people. The question would next arise, to what extent would the company be prepared to grant loans? Assuming it to be proceeding upon sound business principles, it could not go very far, and when it withheld, the premium on currency must once more appear. Some check upon the tendency to over-importation was absolutely necessary, and that check was afforded by the premium on exchanges in favour of Canada. The same premium acted as a bonus in favour of exports, or investment in the country, both of which furnished exchanges in favour of Canada.

The Imperial Government, being still engaged on its own currency schemes, gave Mr. Forbes no encouragement and his plans were not brought to the test of experience.

Among others who were attracted by the Government exchanges with the North American colonies, was the famous Nicholas Biddle, president of the Bank of the United States, and for years the most prominent financial figure in America. In the important field of Anglo-American exchange, the Bank of the United States was associated during Mr. Biddle's career, with the great English house of Baring Brothers.

As already pointed out, there had always been a close dependence of the Canadian money market upon that of New York. On several occasions Mr. Biddle had found the influence of the Canadian demand for specie on Government account to be unexpectedly embarrassing. On enquiring into the exchange relations with Canada, he found that bills on the British Treasury came to New York, partly through the medium of the banks or their agents, partly through the hands of merchants and their correspondents, and partly by direct messenger from the Commissariat. A considerable portion of the exchange was disposed of for specie which was transferred to Canada, whence it oozed back to the United States through a thousand pores of trade, requiring a transfer in mass once more. It was this irregular withdrawal of specie in large quantities to Canada which disturbed the New York money market.

It occurred to Mr. Biddle that the methods then in operation were both clumsy and wasteful, as well as liable to produce financial tension. He therefore approached the British Government in July, 1827, through his London correspondents the Baring Brothers, urging the mutual advantages to the Government and the bank of dispensing with all intermediate agencies and commissions. His proposal was that the agents of the British Treasury in Canada should dispose of their exchanges directly to the Bank of the United States in New York, the bank undertaking to supply the Government with specie as it might need it. This would insure the Government a better price for its bills and enable the bank to supply its needs without any shock to the money market.

Such an arrangement would no doubt have resulted in considerable economy to the British Government. But the mere proposal to adopt it would have caused a storm of protest in Canada. It was a strong popular belief, and a standing grievance against the banks, that the scarcity of money and the high price of exchanges were due to the unpatriotic custom of selling Canadian bills on Britain to the Americans. However, the currency plans of the Government prevented this project also from receiving serious consideration.

The following year another scheme, having as its central feature the management of the exchanges, was presented by Mr. John Galt, the well-known author and the first manager of the Canada Company.

Writing to Mr. Huskisson, in February, 1828, he laid before him his plan for assimilating the colonial currency to that of Britain, and requested that in case it were adopted he should be appointed superintendent for Canada.

He refers to the deplorable condition of uncertainty and fluctuation in the colonial exchanges with the mother country. Under the influence of the same idea as that of Mr. Forbes, and altogether over-rating the influence of the Bank of England in adjusting commercial balances between different parts of Britain, he assumes that such an institution, by a simple mechanism of exchange, will be able to equalize the fluctuating and unbalanced trade between Britain and the colonies, and, if necessary, with the United States as well.

He points out that the attempt to introduce the British metallic currency into Canada has failed. The circulating medium of both provinces, outside of the French rural sections of Lower Canada, consists almost entirely of bank notes. British coins and even silver dollars are rarely seen. Since Canada is influenced by the example of the neighbouring States, he regards it as impossible to replace the paper by a metallic currency. His object, therefore, is to provide a paper money of undoubted security as the basis of the Canadian currency, including the bank notes.

The stability and credit of the Bank of England prove that institution to be capable of accomplishing the object in view. Let the Bank of England, through a general superintendent in Canada, furnish to agents in the leading centres, notes of various denominations from one pound upwards, payable in London. Let these notes be issued by the agents for the following purposes :—First, to the various Commissariats and Provincial

Governments to meet the needs of the imperial and colonial departments. Second, for the purchase of commercial bills of exchange on Britain. Third, in exchange for notes of Canadian, and to a certain extent of American banks. Ordinary bank discounting might afterwards be added, but is not to be undertaken immediately.

After dealing with some details of organization the following results are predicted from the operation of the scheme. Bank of England notes would rank above all local bank notes, both in Canada and the neighbouring States. They would afford an immediate and uniform means of making payments in Britain. On both these grounds the notes of other banks would be readily exchanged for them, thus giving the agents of the Bank of England command over the bullion or specie in the coffers of the other banks.

The British Treasury, in making its payments in Canada, would simply put at the disposal of the bank in London the specie voted for the public service in Canada, and the payments in Canada would be made by the bank notes there. The commercial bills on London purchased in Canada would furnish additional specie, and any further demands could be met by drawing specie from the banks in America whose notes were held.

Such, in essence, is Mr. Galt's plan for putting the Canadian currency and exchange on a stable footing. The first suspicious feature in it is the ominous facility with which it accomplishes the most difficult things, regardless of circumstances. Were it capable of achieving what Mr. Galt predicts, one could not but agree with him that it might be extended over the whole world. However, the scheme is evidently weak in its foundations. No explanation is given as to whence the profits are to be derived for the support of such an extensive machinery of exchange. We are simply left to infer that in some way the bank would derive a large revenue from having its paper in circulation. But, in the first place, under the acknowledged conditions of the time the notes could not remain in circulation. The combined Government and commercial bills on Britain, whose place in exchange the notes are to take, were not sufficient to meet the demand for means of remittance to Britain. Every Bank of England note, therefore, would be immediately secured and sent off as soon as issued under the stimulus of as high a premium as the Government bills had borne. The premium, however, would not go to the bank, which must issue its notes at par, but to the receivers of the notes on Government or other account.

Again, under the plan laid down, the bank would have no profit from discounting. Neither could it gain anything from the purchase and sale of exchanges, its own purpose being to maintain a par of exchange between Britain and America. In the case of commercial bills on Britain, purchased to provide specie in London, the notes issued for them in Canada would in most cases be presented for redemption in London before the bank had received payment for the bills.

The exchange of Bank of England notes for those of other banks, with a view to obtaining the specie in their vaults, could afford no profit, but would certainly entail considerable expense with risk of loss, unless the banks whose notes were to be taken were carefully selected. But specie would require to be collected and sent over from the Canadian and American banks chiefly when its own notes, given in exchange for these, began to reach the London office for redemption.

Even supposing that the various Canadian and American banks should promptly meet the demands for specie, and in such form as would be of sterling value in London, the bank would very soon enjoy a monopoly of the risk and expense of sending bullion across the Atlantic to balance the whole of the American exchanges, and this without the slightest compensation other than the proud consciousness of being able to accomplish the self-imposed task.

The only possible source of profit to the bank would be the interest on such advances as might be made to the Provincial Governments in Canada, and, owing to the nature of the exchanges, these advances, though issued in notes, would be speedily converted into loans of specie.

The radical weakness of Galt's scheme, which was much the same as that of Forbes, would have been sufficient to prevent its practical adoption, even had the Government been quite through with its own plans.

Shortly after his arrival in Canada Mr. Galt was so unfortunate as to outrage the feelings of the Family Compact and ruin his prospects in Canadian official life by showing some civility to Mackenzie and the radicals. Whether the radicals borrowed from Galt the idea of enlisting the Bank of England in the work of Canadian banking and exchange, or whether they developed the idea for themselves, yet, as a matter of fact, at this time and for some years afterwards, they indulged the conviction that the Bank of England could be induced to establish one or more branches in Canada.

In January 1829, Mr. Dalton, the radical, in the House of Assembly of Upper Canada, moved a series of resolutions on commerce and agriculture, the objects of which were to free the country from the monopoly of the China trade, then held by the East India Company, and to increase the capital of the country by petitioning the home Government to induce the Bank of England to establish a branch in Montreal.

In a somewhat grandiloquent speech in support of his resolutions, Dalton gave expression to a growing idea in Canada. Since the undeveloped natural resources of the country, of which men spoke as eloquently and vaguely then as now, constituted the great capital of the people of this country, that capital ought to be employed as the basis of credit. Upon the credit of these undoubted resources, it was believed that paper money might be issued to furnish the means for their development. This day-dream of economic perpetual motion, or automatic prosperity, is one in which many in America have indulged in the past, nor is it to-day altogether without its votaries among those who deal in visions.

Though it was admitted that the local banks were not strong enough to enable the country to thus lift itself by its own boot-tops, yet it was thought that the Bank of England had sufficient strength. This just meant that the new paper capital was to rest, not upon the resources of the country, but upon the capital of the Bank of England.

The officials of the British Treasury were quite sound on the subject of land as a security for bank loans, or the issue of bank notes. In denying to the Canada Company the privilege of paying a portion of its obligations to the Government in Bank of Montreal notes, the Treasury pointed out that if the company had the money on hand it could pay it over directly. If it were with the Bank of Montreal, it could demand its deposits in specie and pay that over. But if, as would appear from its application, the company were seeking assistance from the bank to enable it to make its payments, then it was specially objectionable, because the bank would have to take the company's lands as security. But land is declared to be the worst possible form of security for a bank to hold, inasmuch as it cannot be converted into specie in times of distress, just when a bank should have the most perfect command over its securities.

As the banks continued to prosper and expand during the twenties, they excited a more general public interest. Accusations of favouritism, both well and ill founded, and various real defects in the system, afforded a basis for a rising discontent and a vigorous criticism. In Lower Canada this ultimately found vent in the House of Assembly, and would doubtless have found a like expression in the upper Province but for the power of the Compact.

Moreover, in their mutual expansion the banks came into conflict with each other, and the foundation for a vigorous bank war was laid.

An increased demand for capital and local bank accommodation, together with the desire to share in the high profits of the banks, led to attempts to establish new banks, several of which were successful. Thus we are brought to the threshold of a new set of experiences in Canadian banking with which the next paper must attempt to deal.

ADAM SHORTT

QUEEN'S UNIVERSITY, Kingston

BANK ACT AMENDMENTS

THE following are the chief changes made in the provisions of the Bank Act by the amending Act passed at the recent session of Parliament:*

INTERPRETATION

2 (*d*) The expression "warehouse receipt" * * *includes receipts given by any person in charge of logs or timberin transit from timber limits, or other lands, to their place of destination.*

(*f*) The word "manufacturer" includes * * *a manufacturer of logs, timber or lumber.*

APPLICATION OF ACT

SEC. 5, C. 26, 1900, makes the Act apply to Banks in liquidation.

TRANSFER AND TRANSMISSION OF SHARES

44. No person holding stock in the bank as executor, administrator, guardian, trustee, *tutor or curator of* or for any *estate, trust or* person named in the books of the bank as being so represented by him, shall be personally subject to any liability as a shareholder, but the estate and funds in his hands shall be liable in like manner and to the same extent as the testator, intestate, ward or person interested in such estate and funds would be, if living and competent to hold the stock in his own name; and if the trust is for a living person, such person shall also himself be liable as a shareholder; but if such estate, trust or person so represented is not so named in the books of the bank, the executor, administrator, guardian, trustee, *tutor or curator* shall be personally liable in respect of such stock as if he held it in his own name as owner thereof.

ANNUAL STATEMENT AND INSPECTION

45 (**2**). *The directors shall also submit to the shareholders such further statements of the affairs of the bank, other than statements with reference to the account of any person dealing with the bank, as the shareholders require by by-law passed at the annual general meeting, or at any special general meeting of the shareholders called for the purpose, and the statements so required shall be submitted at the annual general*

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* The italicized portions are new. The heavy figures indicate numbers of sections and sub-sections of The Bank Act; other figures, the numbers of sections, etc., of amending Acts.

meeting, or at any special general meeting called for the purpose, or at such time and in such manner as is set forth in the by-law of the shareholders requiring such statements.

NOTE ISSUE

C. 14, 1899. (*1*). *Notwithstanding the provisions of section 51 of this Act, any bank to which this Act applies may issue and reissue, at any office or agency of the bank in any British colony or possession other than Canada, notes of the bank payable to bearer on demand and intended for circulation in such colony or possession, for the sum of one pound sterling each, or for any multiple of such sum, provided the issue or reissue of such notes is not forbidden by the laws of such colony or possession.*

(*2*). *The notes so issued shall be redeemable at par at any office or agency of the bank in the colony or possession in which they are issued for circulation, and not elsewhere, except as in this section specially provided; and the place of redemption of such notes shall be legibly printed or stamped across the face of each note so issued.*

(*3*). *In the event of the bank ceasing to have an office or agency in any such British colony or possession, all notes issued in such colony or possession under the provisions of this section shall become payable and redeemable at the par value thereof (that is to say, at four dollars and eighty-six and two-third cents per pound sterling) in the same manner as the notes of the bank issued in Canada are payable and redeemable; provided always that no notes issued for circulation in a British colony or possession other than Canada shall be reissued in Canada, and that nothing herein shall be construed as authorizing the issue or reissue by the bank in Canada of notes payable to bearer on demand and intended for circulation for a sum less than five dollars or for a sum which is not a multiple of five dollars.*

(*4*). *The amount of the notes at any time in circulation in any colony or possession, issued under the provisions of this section, shall at the rate of four dollars and eighty-six and two-thirds cents per pound sterling, form part of the total amount of the notes in circulation within the meaning of section 51 of this Act, and, except as in this section otherwise specially provided, shall be subject to all the provisions of this Act; but nothing herein contained shall enable the bank to increase the total amount of its notes in circulation in Canada and elsewhere beyond the limit fixed by the said section 51.*

C. 26, 1900. (10). *The bank shall not, during any period of suspension of payment of its liabilities, issue or reissue its notes payable to bearer on demand and intended for circulation, and if, after any such suspension, the bank resumes business without the consent in writing of the curator hereinafter provided for, it shall not issue or reissue any of* *such notes until authorized by the Treasury Board so to do, and every person who, being president, vice-president, director, general manager, manager, clerk or other officer of the bank, issues or reissues, or authorizes or is concerned in the issue or reissue of such notes, and every person who accepts, receives or takes, or authorizes or is concerned in the acceptance, receipt or taking of such notes from the bank, or from such president, vice-president, director, general manager, manager, clerk, or other officer of the bank, in payment or part payment, or as security for the payment of any amount due or owing to such person by the bank, is guilty of an indictable offence and liable to imprisonment for a term not exceeding seven years, or a fine not exceeding two thousand dollars, or to both.*

Sec. 11, c. 26, 1900, reduces the rate of interest which notes of a suspended bank shall bear, to five per cent.

C. 26, 1900. (13). *Notwithstanding anything to the contrary contained in section 54 of the said Act, all notes of a bank which has suspended payment, and all interest on such notes, which are paid by the Minister of Finance and Receiver General out of "The Bank Circulation Redemption Fund" after the amount at the credit of such bank in the fund, adding thereto all interest due or accruing due on such amount, has been exhausted, shall bear interest at the rate of three per cent. per annum from the time such notes and interest are paid until such notes and interest are repaid to the Minister of Finance and Receiver General by or out of the assets of such bank.*

BUSINESS AND POWERS OF THE BANK

By sec. 14, c. 26, 1900, the following clause is struck from Sec. 70 of the Act, viz.:

"Provided always, that no bank shall hold any real or immovable property, howsoever acquired, except such as is required for its own use, for any period exceeding seven years from the date of the acquisition thereof."

and the following clauses substituted:

(2). *No bank shall hold any real or immovable property, howsoever acquired, except such as is required for its own use, for any period exceeding seven years from the date of the acquisition thereof, or any extension of such period as hereinafter provided, but such property shall be absolutely sold or disposed of so that the bank shall no longer retain any interest therein unless by way of security: Provided that the Treasury Board may direct that the time for the sale or disposal thereof be extended* *for a further period or periods, not to exceed five years, the whole period during which the bank may so hold such property under the provisions of this sub-section not to exceed twelve years.*

(3). *Any real or immovable property, not within the exception aforesaid, held by the bank for a longer period than authorized by the preceding sub-section, shall be liable to be forfeited to Her Majesty for the use of the Dominion of Canada, but no such forfeiture shall take effect until the expiration of at least six calendar months after notice in writing to the bank by the Minister of Finance and Receiver General of the intention of Her Majesty to claim such forfeiture, and the bank may, notwithstanding such notice, before the forfeiture is effected, sell or dispose of such property free from liability to forfeiture.*

(4). *The provisions of this section shall apply to any real or immovable property heretofore acquired by the bank and held by it at the time of the coming into force of this Act.*

73. The bank may acquire and hold any warehouse receipt or bill of lading as collateral security for the payment of any debt incurred in its favor *or as security for any liability incurred by it for any person* in the course of its banking business; and the warehouse receipt or bill of lading so acquired shall vest in the bank, from the date of the acquisition thereof, all the right and title of the previous holder or owner thereof, or of the person from whom such goods, wares and merchandise were received or acquired by the bank, if the warehouse receipt or bill of lading is made directly in favour of the bank, instead of to the previous holder or owner of such goods, wares and merchandise.

(2) If the previous holder of such warehouse receipt or bill of lading is the agent of the owner of the goods, wares and merchandise mentioned therein, the bank shall be vested with all the right and title of the owner thereof, subject to his right to have the same re-transferred to him, if the debt *or liability* as security for which they are held by the bank, is paid.

(3) In this section the expression "agent" means any person intrusted with the possession of goods, wares and merchandise or to whom the same are consigned, or who is possessed of any bill of lading, receipt, order or other document used in the course of business as proof of the possession or control of goods, wares and merchandise, or authorizing or purporting to authorize, either by endorsement or by delivery, the possessor of such document to transfer or receive the goods, wares and merchandise thereby represented; and such person shall be deemed the possessor of such goods, wares and merchandise, bill of lading, receipt, order or other document as aforesaid, as well if the same are held by any person for him or subject to his control as if he is in actual possession thereof.

74. The bank may lend money to any person engaged in business as a wholesale manufacturer of any goods, wares and merchandise, upon the security of the goods, wares and merchandise manufactured by him or procured for such manufacture.

(2) The bank may also lend money to any wholesale purchaser or shipper of *or dealer in* products of agriculture, the forest, quarry and mine, or the sea, lakes and rivers, or to any wholesale purchaser or shipper of *or dealer in* live stock or dead stock and the products thereof, upon the security of such products, or of such live stock or dead stock and the products thereof. *The bank may allow the goods, wares and merchandise covered by such security to be removed and other goods, wares and merchandise mentioned in this sub-section to be substituted therefor, and those so substituted shall be covered by such security as if originally covered thereby: Provided always, that such goods, wares and merchandise so substituted are of substantially the same character and of substantially the same value as, or of less value than, those for which they have been so substituted.*

(3) Such security may be given by the owner and may be taken in the form set forth in Schedule C to this Act, or to the like effect; and by virtue of such security, the bank shall acquire the same rights and powers in respect to the goods, wares and merchandise, stock or products covered thereby, as if it had acquired the same by virtue of a warehouse receipt.

SEC. 16. C. 26, 1900. *The bank may lend money upon the security of standing timber and the rights or licenses held by persons to cut or remove such timber.*

75. The necessary change by the insertion of the words "or liability" consequent upon the amendment to section 73, is made in sub-sections 1 and 4 of section 75.

84 (3). *If a person dies, having a deposit with a bank not exceeding the sum of five hundred dollars, the production to the bank and the deposit with it of an authentic notarial copy of the will of the deceased depositor, if such will is in notarial form according to the law of the Province of Quebec, or of any authenticated copy of the probate of the will of the deceased depositor, or of letters of administration of his estate, or of letters of verification of heirship, or of the act of curatorship or tutorship, granted by any court in Canada having power to grant the same, or by any court or authority in England, Wales, Ireland, or any British colony, or of any testament testamentary or testament dative expede in Scotland, or, if the deceased depositor died out of Her Majesty's dominions, the production to and deposit with the bank of any authenticated copy of the probate of his will or letters of administration of his property, or other document of* *like import, granted by any court or authority having the requisite power in such matters, shall be sufficient justification and authority to the directors for paying such deposit, in pursuance of and in conformity to such probate, letters of administration, or other such document as aforesaid.*

PURCHASE OF ASSETS OF A BANK

SECS. 33 to 44 inclusive, c. 26, 1900, give power to a bank to purchase the assets of any other bank, and set out the conditions on which such a purchase may be made, the procedure which must be observed, etc.

RETURNS BY THE BANK

SECS. 21 and 22, c. 26, 1900, call for an annual return of all drafts or bills of exchange issued and remaining unpaid for over five years, under penalties for failure to transmit the same.

CURATOR IN CASE OF SUSPENSION OF BANK

C. 26, 1900 (24). "The Canadian Bankers' Association," incorporated by Act passed during the present session [1900] of Parliament, (hereinafter referred to as "the Association,") shall, if a bank suspends payment in specie or Dominion Notes of any of its liabilities as they accrue, forthwith appoint some competent person (hereinafter referred to as the curator) to supervise the affairs of such bank, and the Association may at any time remove the curator, and may appoint another person to act in his stead.

(25). The appointment of the curator shall be made in the manner provided for in the by-law of the Association in that behalf made as hereinafter provided, but in default of such by-law such appointment shall be made in writing by the president of the Association or by the person acting as president.

(26). The curator shall assume supervision of the affairs of the bank, and all necessary arrangements for the payment of the notes of the bank issued for circulation then outstanding and in circulation shall be made under his supervision ; and generally he shall have all powers and shall take all steps and do all things necessary or expedient to protect the rights and interests of the creditors and shareholders of the bank, and to conserve and ensure the proper disposition according to law of the assets of the bank ; and for the purpose aforesaid he shall have full and free access to all books, accounts, documents and papers of the bank ; and the curator shall continue to supervise the affairs of the bank until he is removed from office, or until the bank resumes business, or until a liquidator is duly appointed to wind up the business of the bank.

(27). The president, vice-president, directors, general manager, managers, clerks and officers of the bank shall give and afford to the curator all such information and assistance as he requires in the discharge of his duties; but no by-law, regulation, resolution or act touching the affairs or management of the bank, passed, made or done by the directors during the time the curator is in charge of the bank, shall be of any force or effect until approved in writing by the curator.

(28). The curator shall make all returns and reports, and shall give all information to the Minister of Finance and Receiver-General, touching the affairs of the bank, that the Minister of Finance and Receiver-General requires of him.

(29). The remuneration of the curator for his services, and his expenses and disbursements in connection with the discharge of his duties, shall be fixed and determined by the Association, and shall be paid out of the assets of the bank, and in case of the winding-up of the bank shall rank on the estate equally with the remuneration of the liquidator.

BY-LAWS BY CANADIAN BANKERS' ASSOCIATION

C. 26, 1900 (30). The Association may, at any meeting thereof, with the approval of two-thirds in number of the banks represented at such meeting (the banks so approving having at least two-thirds in par value of the paid-up capital of the banks so represented), make by-laws, rules and regulations respecting:

(*a*) All matters relating to the appointment or removal of the curator, and his powers and duties;

(*b*) The supervision of the making of the notes of the bank which are intended for circulation, and the delivery thereof to the banks;

(*c*) The inspection of the disposition made by the banks of such notes;

(*d*) The destruction of notes of the banks; and

(*e*) The imposition of penalties for the breach or non-observance of any by-law, rule or regulation made by virtue of this section.

2. No such by-law, rule or regulation, and no amendment or repeal thereof, shall be of any force or effect until approved by the Treasury Board.

3. Before any such by-law, rule or regulation, or any amendment or repeal thereof is so approved, the Treasury Board shall submit it to every bank which is not a member of the Association, and give to each such bank an opportunity of being heard before the Treasury Board with respect thereto.

(31). The Association shall have all powers necessary to carry out, or to enforce the carrying out of, any by-law, rule or regulation, or any amendment thereof, so approved by the Treasury Board.

(32). The Association shall, on or before the first day of January, in the year one thousand nine hundred and one, submit for the approval of the Treasury Board by-laws, rules and regulations for the purposes aforesaid.

SCHEDULE C

NEW *	OLD †
FORM OF SECURITY	FORM OF SECURITY
In consideration of an advance of dollars made by the Bank to A. B., for which the said bank holds the following bills or notes: (*describe the bills or notes, if any*), [*or*, in consideration of the discounting of the following bills or notes by the Bank for A. B. (*describe the bills or notes*),] the goods, wares and merchandise mentioned below are hereby assigned to the said bank as security for the payment on or before the day of of the said advance, together with interest thereon at the rate of per cent. per annum from the day of (*or*, of the said bills or notes, or renewals thereof, or substitutions therefor, and interest thereon, (*or as the case may be*).	In consideration of an advance of dollars, made by the (*name of bank*) to A. B., for which the said bank holds the following bills or notes (*describe fully the bills or notes held, if any*), the goods, wares and merchandise mentioned below are hereby assigned to the said bank as security for the payment, on or before the day of of the said advance, together with interest thereon at the rate of per cent. per annum from the day of (*or*, of the said bills and notes, or renewals thereof, or substitutions therefor, and interest thereon, *or as the case may be*).
This security is given under the provisions of section 74 of *The Bank Act* [1890, c. 31] and is subject to the provisions of the said Act.	This security is given under the provisions of section seventy-four of "The Bank Act," and is subject to all the provisions of the said Act.
The said goods, wares and merchandise are now owned by , are now in the possession of and are free from any mortgage, lien or charge thereon (*or as the case may be*), and are in (*place or places where the goods are*), and are the following (*description of goods assigned*).	The said goods, wares and merchandise are now owned by and are now in possession, and are free from any mortgage, lien or charge thereon, (*or as the case may be*), and are in (*place or places where goods are*), and are the following: (*particular description of goods assigned*).
Dated, &c.	Dated at 18 .
(N.B.—*The bills or notes and the goods*, &c., *may be set out in the schedules annexed*).	

* Portion underlined is new.

† Words underlined are omitted from the amended Schedule.

FORM OF GOVERNMENT STATEMENT*

SCHEDULE D.—(*Section 85*)

Return of the liabilities and assets of the bank on the day of , A.D.

Capital authorized ....$
Capital subscribed ....$
Capital paid-up..$
Amount of rest or reserve fund................................$
Rate per cent. of last dividend declared.................... per cent.

Liabilities

1. Notes in circulation ....$
2. Balance due to Dominion Government, after deducting advances for credits, pay-lists, &c ....
3. Balances due to Provincial Governments ....
4. Deposits by the public, payable on demand, *in Canada.*
5. Deposits by the public, payable after notice or on a fixed day, *in Canada* ....
6. *Deposits elsewhere than in Canada* ....
7. Loans from other banks in Canada, secured, *including bills rediscounted* ....
8. Deposits made by, and balances due to, other banks in Canada ....
   (In the old form Deposits and Balances due in daily Exchanges were shown separately).
9. Balances due to agencies of the bank, or to other banks or agencies, in the United Kingdom ....
10. Balances due to agencies of the bank, or to other banks or agencies, *elsewhere than in Canada and the United Kingdom* ....
    (The italicized portion is substituted for "Foreign Countries" in the old form).
11. Liabilities not included under foregoing heads ....

$

Assets

1. Specie..$
2. Dominion notes ....
3. Deposits with Dominion Government for security of note circulation...
4. Notes of and cheques on other banks ....

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*Italicized portions are *new*.

5. Loans to other banks in Canada, secured, *including bills rediscounted* ....

6. Deposits made with, and balances due from, other banks in Canada ....

   (Deposits and Balances in Exchanges shown separately in the old form).

7. Balances due from agencies of the bank, or from other banks or agencies, in the United Kingdom ....

8. Balances due from agencies of the bank, or from other banks or agencies, *elsewhere than in Canada and the United Kingdom* ....

   (Italicized portion is substitute for "Foreign Countries" in old form).

9. Dominion and *Provincial* Government securities.........

   (In the old form Provincial securities were included among the securities now grouped in clause 10).

10. Canadian municipal securities, and British, or foreign, or colonial public securities *other than Canadian* ......

    (Formerly included Provincial securities).

11. Railway *and other* bonds, *debentures and stocks*............

    (Formerly "Canadian, British and other railway securities").

12. Call *and short* loans on stocks and bonds, *in Canada* ...
13. *Call and short loans elsewhere than in Canada* ....
14. Current loans *in Canada*...
15. *Current loans elsewhere than in Canada* ....
16. Loans to the Government of Canada ....
17. Loans to Provincial Governments..............................
18. Overdue debts ....
19. Real estate other than bank premises ....
20. Mortgages on real estate sold by the bank..................
21. Bank premises ....
22. Other assets not included under the foregoing heads ...

$

Aggregate amount of loans to directors, and firms of which they are partners, $

Average amount of specie held during the month, $

Average amount of Dominion Notes held during the month, $

Greatest amount of notes in circulation at any time during the month, $

I declare that the above return has been prepared under my directions and is correct according to the books of the bank.

E. F.,
Chief Accountant

We declare that the foregoing return is made up from the books of the bank, and that to the best of our knowledge and belief it is correct, and shows truly and clearly the financial position of the bank ; and we further declare that the bank has never, at any time during the period to which the said return relates, held less than forty per cent. of its cash reserves in Dominion notes.

(*Place*) this day of

A. B., *President*

C. D., *General Manager.*

THE DEBATES ON THE AMENDMENTS TO THE BANK ACT

House of Commons, Monday, 21 May, 1900.

The Minister of Finance (Mr. Fielding) moved for leave to introduce Bill (No. 163) to amend the Bank Act. He said:

Perhaps the House will desire, at this stage, that I should offer some explanation of this Bill. The time has arrived when it is necessary that further legislation should be enacted with respect to our banks. It will be generally admitted that the existing Bank Act, so far as it goes, is an excellent one. We think that in the light of experience some additional provisions may be made, but, so far as the present Act goes, I may say that in the main it has worked well, and the House will not expect that there should be any extensive changes in it. The bank charters, under existing legislation, will expire in the year 1901. The main purpose of this Bill, so far as it amends the existing law, will be to carry forward these charters for a further period of ten years; expiring in 1911.

We make some changes in the schedules respecting returns to the government; whereby fuller information may be given, without, however, disturbing that continuity of statement which is desirable for the purpose of comparison. We also make some provision in regard to the information to be furnished by the directors to their shareholders. What we propose in that respect is, that wherever the shareholders by by-law require a certain class of information to be brought down, such information shall be furnished at the annual or at a special meeting. We think that it is a case that might properly be left to be regulated by a by-law of the shareholders, provided, however, that a bank shall not be at liberty to give information with regard to the accounts of its customers, as such, of course, would be at variance with the whole spirit of the Bank Act.

We propose that there shall be an enactment to prevent the issue of bank notes, after a bank has suspended. It is believed that under the present Bank Act—excellent as it is—after a bank has suspended, if the directors were so minded, they might issue their own notes to their depositors.

Sir Charles Tupper (Cape Breton)—Has that been done in any case?

The Minister of Finance—I am not aware that it has, although it is one of the things which seemed to be possible, in considering the recent unfortunate bank failure. At all events, it is well to guard against it. The House will see that, inasmuch as the notes have a prior lien, if the directors, after the suspension of the bank, could issue their own notes to a certain class of depositors, they would thus give them priority over the other depositors. That, of course, is not desirable. I am not aware that any occasion has really arisen for it, but it is well we should safeguard a matter of that kind as far as possible. With regard to the business powers of the banks, we make some slight change. We include among the things upon which the bank may lend its money, standing timber, which has hitherto not been expressed in the Act, although possibly, it is contemplated in its general provisions. We propose that the bank may take security for a liability to be incurred, such, for example, as in the case of a letter of credit, where money does not actually pass, but whereby the credit of the bank is pledged, which is, of course, equivalent to the money being paid.

We propose also that the products of the quarry, as well as the products of the mine, shall be included among the things upon which security may be taken—a mere verbal change which, of course, the House will not object to. We also use the expression " wholesale dealer " as well as " purchaser " with regard to certain transactions in respect of which security may be taken.

Another provision of some importance is in regard to the holding of land. Under the present Bank Act it is provided that a bank shall not hold land—except for purposes of its own business—for a longer period than seven years, but there is no provision as to what shall happen after that. It would, no doubt, be contended, as a matter of law, that the title remains in possession of the bank, but that is a point upon which the Act is silent. We propose to follow in this respect the legislation adopted last year in relation to loan companies. There, the power to hold land was extended from seven years—or, rather, to be more correct—provision was made that the Treasury Board might extend the power to hold land from seven to twelve years, provided it could be shown that, under exceptional circumstances, the enforced sale would be a matter of sacrifice. We provide, therefore, in the case of the banks, that they may hold land for a period of seven years, or for such further period, not more than five years in addition, as may be determined by the Treasury Board. We have a further provision, filling in the blank which now exists, that after the lapse of the time—whether it be seven years or the extended time by order of the Treasury Board—for which the bank may legally hold land, proceedings may be taken to forfeit the land to the Crown.

Mr. R. L. BORDEN (Halifax)—Does that apply to lands that have already been held for more than a period of seven years?

The MINISTER OF FINANCE—The effect of this Bill is, that the land already held for seven years or more will be liable to forfeiture, but we do not propose to exercise the right of forfeiture until after six months' notice. The main purpose of this provision will not be to forfeit the land, but to oblige the bank to dispose of it, and in this way the banks shall have ample time to sell it, so as not to subject themselves to forfeiture.

Mr. BORDEN (Halifax)—Where banks have already held land for more than seven years and desire to sell it, they are required to give a covenant for title. Sometimes they prefer not to do that. If afterwards any proceedings should be taken against the persons to whom they sell, would the title be made good? Is my meaning clear to the hon. gentleman?

The MINISTER OF FINANCE—Yes.

Mr. BORDEN (Halifax)—Therefore, if it could be provided in some way that lands might, within the period of six months, still be sold, it would be advisable.

The MINISTER OF FINANCE—I think the effect of the amendment will be that land which, possibly, now has a cloud over its title, will remain the property of the bank until it is forfeited, and this forfeiture can only take effect after six months' notice. I think it will remove the doubt that there is in the hon. gentleman's mind, and which has existed in the past.

We propose that unpaid drafts issued by the bank shall, after a lapse of five years, be the subject of a return to Parliament, in the same way as we now require return of unpaid balances. Circumstances might arise under which drafts are issued and are lost, and in regard to them the parties interested may, possibly, have no knowledge. If after the lapse of five years, the parties interested have not claimed these moneys, we think the banks should make a return of them in the same manner as the banks now make a return of unclaimed balances.

Mr. T. S. SPROULE (East Grey)—Do you make any provision that after a certain number of years the unpaid balances should be escheated to the state?

The MINISTER OF FINANCE—We do not touch that feature. The main purpose is, that the parties who may possibly suspect that drafts have been issued, shall have an opportunity of knowing from this return, and can claim the money. But the question of escheating is not touched by this Bill. There are a few other minor changes, largely verbal, which make the Act perhaps, a little clearer, but which do not materially alter its provisions. These are all the changes we propose to make as respects the existing Bank Act.

But we propose to add one or two new provisions which we think may be found useful. We think it desirable, in the light of the experience of recent years, that where a bank suspends there should be some better supervision of its affairs than now exists, and we think the best medium we can employ for obtaining that supervision is the Canadian Bankers' Association, which, for that purpose, we have asked to become incorporated. The Canadian Bankers' Association, as hon. members are aware, have already submitted a Bill to the House for the purpose of being incorporated, and it is only right to say that the government desire them to be incorporated, feeling that that association might be used as an instrument for the purpose to which I have referred. The banks, under a very valuable amendment, which was some years ago made to the Bank Act, are more or less partners as respects their circulation. There is a note redemption fund for which they are responsible, and to which they all contribute. We think that for that reason they have a special interest in seeing that a bank which has suspended is conducted in a proper way. We propose, therefore, that the Bankers' Association shall, immediately on the suspension of a bank, appoint a curator, who shall take possession of the bank. It is quite possible, where a bank has been brought to disaster owing to mismanagement on the part of its officials or directors, that it should remain for a certain period in the hands of these officials. We think that if the affairs of the suspended bank are in such a position that a curator can do no useful service, the Bankers' Association shall withdraw him. If, on the other hand, the affairs of the bank are in such a position that they cannot be properly left in the hands of the directors and officers of the bank, then the curator will be left in charge.

Mr. FOSTER—Who is to be the judge of that?

The MINISTER OF FINANCE—The curator, as the matter now stands. If my hon. friend can suggest any way by which we can put a guard or check over that, we shall be happy to have his suggestion. We think an officer appointed by the Bankers' Association would be satisfactory to the public at large; and while he does not represent the depositors, every step he takes would be as much in the interest of the depositors as of any other class.

Mr. BORDEN (Halifax)—In case of his misfeasance, would the Bankers' Association or any other body be responsible? What provision is made as to that?

The MINISTER OF FINANCE—We have not provided for that, but that point is worthy of consideration. The powers of the curator are defined in section 26 of the Act, which I shall read :*

> The curator shall, on being appointed, at once take charge of the assets and affairs of the bank, and shall assume the management and control thereof, and shall receive and collect all moneys and debts due to the bank, and shall make all necessary arrangements for the payment of the notes of the bank issued for circulation then outstanding and in circulation, and generally shall have and possess all the powers that may be conferred upon him, and shall take all steps and do all things that may be required of him by by-law of the association, or that may be necessary or expedient to protect the rights and interests of the creditors and shareholders of the bank, and to conserve and insure the proper disposition, according to law, of the assets of the bank, and the curator shall remain in charge, management and control of the affairs and assets of the bank until he is removed from office, or until the bank resumes business. or until a liquidator is duly appointed to wind up the business of the bank.

Sir CHARLES TUPPER (Cape Breton)—It would seem to be very reasonable that the parties who appoint this curator with such supreme power to control the whole matter, should be responsible for his actions.

The MINISTER OF FINANCE—That is a very proper subject for consideration, and ought to be considered later on. Then, we think it is desirable that there should be, as far as feasible, some further control over the circulation of a bank. A bank is permitted to circulate its notes up to the amount of its paid-up capital. The only guard and check we have at present is the return made to the government. If that return is false, we can prosecute, as was done in a recent case. We think there should be, if possible, some additional guard or check on the circulation ; but we have not attempted to work out any scheme further than to propose that that matter shall be regulated by rules and by-laws made by the Bankers' Association. We think that their interest will be in the interest of the public, and that they may be able to make such regulations as will follow the circulation of a bank from the moment a note is printed until it is destroyed. We propose, therefore, by section 30, as follows :

> The Association shall have power, from time to time, at a meeting thereof, with the approval of two-thirds in number of the banks represented at such meeting, the banks so approving having at least two-thirds in par value of the paid-up capital of the banks so represented, to make, amend and repeal by-laws, rules and regulations respecting—
>
> (a) All matters relating to the appointment or removal of the curator, and his powers and duties ;
>
> (b) The supervision of the making of the notes of the banks which are intended for circulation, and the delivery thereof to the banks ;
>
> (c) The inspection of the disposition made by the banks of such notes ;

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*This clause was modified when the bill was in committee, so as to provide that the directors should remain in control of the assets, but should not dispose of them without the consent of the curator.

(d) The destruction of notes of the banks; and

(e) The imposition of penalties for a breach or non-observance of any by-law, rule or regulation made by virtue of this section.

No such by-law, rule or regulation, nor any amendment nor repeal thereof, shall be of any force or effect until approved by the Treasury Board.

There is another class of provision which we propose to insert, that is with regard to the purchase of the assets of a bank.

Mr. G. E. Foster (York, N.B.)—Before the hon. gentleman goes to that, I did not catch clearly whether those regulations of the Bankers' Association are to be embodied in a law, or subject to the approval of the Governor-in-Council, or whether they are to become effective simply by being made by the Association.

The Minister of Finance—There is a provision that they shall have no force or effect until they are approved by the Treasury Board. If it is thought desirable to make them subject to the approval of the Governor-in-Council, I see no objection. We propose to have a provision with regard to the purchase of the assets of a bank which desires to go out of business. It is thought desirable to provide a convenient method whereby a bank which is perfectly solvent and desires to dispose of its business shall be able to do so without loss of time. The provision in the Act is to the effect that a bank which desires may by a vote of two-thirds in value of all its shareholders, sell and dispose of all its assets to another bank. If the assets happen to be very large, such as would require an extension of the capital of the purchasing bank, it is provided that the shareholders of that bank also shall have to be consulted. Of course, in such a transaction, proper provision would have to be made, and is made in the clauses of the Act, for the protection of the note-holders of the selling bank, and also to see that all the liabilities of the selling bank are properly covered; and any agreement for the purchase of the assets of a bank shall have no force or effect until submitted to and approved of by the Governor-in-Council. Such in the main are the provisions of the Bill which I have the honour to introduce to the House. I may say that while, as a general rule, it is thought not desirable to send government Bills to the committees, I think occasionally there are exceptions when we can most advantageously deal with them in a large committee; and I shall propose with the consent of the House, at the proper moment, to move that this Bill be referred to the Committee on Banking and Commerce, where I shall be only too happy to receive every suggestion of hon. gentlemen whose knowledge and experience may enable them to add anything to the information we all possess on the subject.

Mr. Foster—Might I ask the hon. minister if he has made any attempt at all to strengthen the position of depositors in those banks by way of increased government supervision in any way?

The Minister of Finance—No, Mr. Speaker, I think that the Finance Ministers who preceded me found great difficulty in adopting any system of government inspection, and the difficulties which then exist seem to continue. We hope that the action which we propose shall be taken, through the medium of the Canadian Bankers' Association, will operate for the benefit of depositors as well as note-holders and others interested, but have made no special provision of the character indicated by the hon. gentleman.

Motion agreed to, and Bill read the first time.

Friday, 25th May, 1900.

The Minister of Finance (Mr. Fielding) moved the second reading of Bill (No. 163) to amend the Bank Act. He said:

I do not imagine that there is any desire to discuss this Bill at the present stage, as I have intimated that it is my intention to move that it be referred to the Committee on Banking and Commerce. I move the second reading on that understanding.

Motion agreed to, and Bill read the second time.

On the House having resolved itself into committee on the Bill to amend the Bank Act:

The Minister of Finance (Mr. Fielding)—This Bill was referred to the Standing Committee on Banking and Commerce, as the House will remember. We had a very large meeting, and it was carefully considered and gone over, and I think I am safe in stating that the Bill in its present state is likely to meet with the general approval of the committee. An hon. gentleman opposite desired to move one particular amendment, and I assured him that the third reading of the Bill would be postponed to enable him to do so, if on deliberation he wished to move the amendment.

Sir Charles Hibbert Tupper (Pictou)—Was it suggested in the committee that where a clause was amended, the whole clause should be struck out and re-enacted; a course which is very wisely followed in some of the government Bills. If this be done, instead of having to turn up the old Act and the new one, you have in the amended Act the law as it is.

The Minister of Finance—There is no doubt that is the better form, and the point was raised in committee, and in most cases that very excellent rule has been adopted. The amendments in some cases were so slight that it was not thought necessary to do so.

Mr. R. L. BORDEN (Halifax)—I raised that point, and I still think that whether the amendment is slight or not, we should reenact the full section in an important Bill of this kind, so that any person looking at the Act will know exactly what the law is without having to turn up the statute. However, the changes in this case are very slight.

On section 10,

The MINISTER OF FINANCE—A change was made in this clause. The clause as it stands now provides that where a bank has suspended it shall not be at liberty to issue notes during its period of suspension. The point was taken that a bank might resume business nominally, proceed to issue its notes, and suspend again, and thus defeat the purposes of the clause. To prevent that possible case, we have inserted the following amendment:

> If, after any such suspension, the bank shall resume business without the consent in writing of the curator hereinafter provided for, it shall not issue or re-issue any of such notes until authorized by the Treasury Board so to do.

On section 15,

Sir CHARLES HIBBERT TUPPER—Is that the same as before, or has it been recast?

The MINISTER OF FINANCE—A change has been made to enable the bank to take security for liability as well as for money actually paid.

Sir CHARLES HIBBERT TUPPER—That is a very important section of the Act, and is constantly referred to in business and in the courts, and I should have thought that that was one which might well have been drafted in the way suggested so as to make it complete.

The MINISTER OF FINANCE—I think the hon. gentleman will find that section 15 really explains itself. I think the intention is apparent on the surface.

Sir CHARLES HIBBERT TUPPER—If the hon. gentleman knew how often these apparently simple matters are discussed over and over again in connection with mercantile transactions, he would appreciate the difficulty that suggests itself to my mind.

The MINISTER OF FINANCE—If the point is of real importance, I shall have the clause recast; but otherwise I think it would be a pity to delay the Bill.

Sir CHARLES HIBBERT TUPPER —My difficulty is not in understanding the action; but it is a nuisance in everyday life, to have to refer to these different Acts.

The MINISTER OF FINANCE—Of course, unless one re-enacts the whole measure, it would be necessary to read both Acts at any time to some extent; but I thought we had minimized the difficulty in this Act. At another session we may consolidate the several Acts.

Mr. BORDEN (Halifax)—Where changes in the law are made, I think the whole section should be re-enacted, for two reasons: First, you are less liable to make mistakes, and secondly, it is much easier for reference. All the late books on drafting say that the section should be re-enacted. I think it would be an excellent idea to have all the banking Acts consolidated into one Act.

Mr. A. B. INGRAM (East Elgin)—I would like to ask the hon. Finance Minister if his department has received any complaints from merchants with respect to defaced coin, a large amount of which is circulated and has become a great nuisance. Either it should be called in or something done to remedy the evil.

The MINISTER OF FINANCE—I do not think we have any complaints recently on the subject. It is a thing that will always happen to some extent where you have a metallic currency.

Mr. INGRAM—In the city I represent, we have a large number of defaced coins which are becoming a public nuisance. Some people are willing to take and others refuse them, and in many cases the banks do not like to refuse them. It is quite a common thing to receive a coin of which one-fourth has been taken off by some parties to be used for their profit. Something ought to be done to prevent this.

The MINISTER OF FINANCE—I shall be glad to look into the matter. If the thing becomes a serious evil, the people have the remedy in their own hands, and that is to refuse to take it. I shall inquire if there is anything in the situation which calls for action by the department.

Bill reported.

MONDAY, 4th June, 1900.

THE MINISTER OF FINANCE (Mr. Fielding) moved the third reading of Bill (No. 163) to amend the Bank Act.

Mr. Bennett Rosamond (North Lanark)—Mr. Speaker, I was not present when this Bill was before the Committee of the Whole, as I wished to be, in order to ask for the adoption of an amendment, but I would like now to ask the hon. Minister of Finance (Mr. Fielding), if he would kindly consent to have the Bill referred back to the Committee of the Whole, in order that I may discuss the amendment which I propose to introduce. If he will not do so, I will have to move the amendment now. The amendment I propose is:

> That the Bill be not now read a third time, but that it be recommitted to a Committee of the Whole with instructions that they have power to add the following as clause 45:
>
> Section 77 of the Bank Act is amended by adding the following clause:
>
> "Any bank advancing or lending money upon the security of the goods, wares and merchandise or collateral security or property mentioned in sections 73 and 74 of this Act, shall file in the office of the registrar of the registration division of the county or township where such advance is made and such lien created on the said property pledged to the bank under this Act, a statement describing the said goods, wares and merchandise or property so pledged, the name of the bank and the name of the debtor and the amount of the advance and the date upon which it was made, and unless and until such registration is effected, the warehouse receipt, bill of lading, pledge, lien, charge or other security, shall not give to the bank any prior lien or charge upon such goods, wares and merchandise or other property referred to in said sections 73 and 74, notwithstanding the provisions of section 77 to the contrary."

The object of the amendment is to remedy certain complaints which have been made as to the evil effects which are felt in the working of the Bank Act. Banks have, under the old system, and under the present Bill will have the continued right to advance on securities pledged to them, without these advances or securities going to the registrar for registration. As I understand it, no other institution, or no private person, has the right to advance money, or take security, without having the security registered in a certain way in the registration office. It was said before the Banking Committee, that the amendments that were asked for there, involved class legislation. I may say that this is class legislation as far as these advances are concerned. Why should the banks have the right to take security without being registered, when no private person has that right? The effect of it is that creditors are not aware that the banks have taken this security, and they go on giving credit.

The Minister of Marine and Fisheries (Sir Louis Davies)—Is the hon. gentleman (Mr. Rosamond) speaking of an ordinary warehouse receipt, or of a special security?

Mr. Rosamond—Not a warehouse receipt alone, but pledges and liens of different kinds.

The Minister of Marine and Fisheries—The banks are in no different position from anybody else.

Mr. Rosamond—The banks take security now without giving any notice as to the persons from whom they have taken security. Take the case of a farmer, for instance; a farmer may sell his produce to a merchant and give him thirty to forty days. He supposes that the merchant is perfectly good, and before the thirty or forty, or sixty days, as the case may be, expire, the merchant fails, and the farmer finds, to his disgust, that the bank has in its control all of the merchant's property. Even the very property the farmer sold to the merchant is taken possession of by the bank, and he has no recourse. That is only an example, and the same thing holds good with securities given in different ways. I do not see why banks should be given this power any more than any private banker or institution. Why should banks have the power more than a private individual? Why should this class legislation be given? I think it is an anomally that should be corrected, and I am proposing the amendment to have it corrected now. I hope the hon. Minister of Finance will consent to it, because I think it is only a fair request, and one that will be in the interest of the public generally.

The Minister of Finance—I regret that I am unable to agree with my hon. friend (Mr. Rosamond), as to the desirability of having this Bill sent back to the Committee on Banking and Commerce, for the purpose to which he has referred. Where you desire an examination into the details of a measure, the services of a body like the Committee on Banking and Commerce may be usefully employed, but, I think, my hon. friend will agree with me, that, where you are dealing with a matter of principle, as I submit you are in this case, it is better to discuss the question in the open House, than to attempt to refer it back to the committee. The amendment proposes to strike at the root of the system of banking credits, which has, for a great many years, played a very important part in the management of the trade of the country. Whatever may be said as to the desirability of having securities in other transactions registered, it has been admitted for a great many years, that in order to give the necessary facilities for banking, in the carrying on the business of the country—

Mr. Rosamond—The minister has misunderstood me. I did not mean to refer it to the Committee on Banking, but to the Committee of the Whole House.

The Minister of Finance—My hon. friend is correct. This is a question of principle, involving no detail, and we might just as well discuss the amendment here. I was proceeding to say that for many years it has been deemed necessary in order to carry on the business of the country, and to facilitate transactions between customers and the banks, to permit these liens to be established without any registry. This principle has been in the Banking Act for a very long time, and I think I may safely say that it has been accepted by parliament and by the country as a necessary element in banking business. If the hon. gentleman (Mr. Rosamond) abolishes it as he proposes, and declares that hereafter there should be no such security without registration in the same manner as you are obliged to register bills of sale in some of the provinces, then my hon. friend (Mr. Rosamond) would be striking at the foundation of the system of credit as between the banks and their customers which on the whole has worked successfully for a great many years. Apart from the general principle, my second objection is: That while the clause might be workable in the province of Ontario—and it seems to have been designed with special reference to the conditions in Ontario—yet I am advised that in some of the provinces (at all events in the province of Quebec), there is no machinery by which this method could be worked out. My hon. friend (Mr. Rosamond) says he is not aware of any other cases in which parties are permitted to take securities without registration, but I think he will find on inquiry that he is mistaken in that. If this amendment should be adopted, the banks would no longer be permitted to make these advances and take security, although every private individual in the province of Ontario would be permitted to do that which he is not willing to permit the bank to do. In the Ontario Mercantile Amendment Act, we have provisions very much the same as in the Bank Act, and it is set forth that any person (not any bank), but any person may have priority of lien in transactions of this character. I will quote section 11, of chap. 145, of the Revised Statutes of Ontario:

> All advances made on the security of any such cove receipt, bill of lading, specification, receipt, acknowledgment or certificate as aforesaid, shall give and be held to give to the person making the advances, a claim for the repayment of such advances on the cereal grains, goods, wares or merchandise therein mentioned, prior to and by preference over the claim of any unpaid vendor, or other creditor, save and except the claims for wages of labour performed in making and transporting such timber, boards, deals, staves or other lumber.

My hon. friend will therefore see that this prior lien exists, outside the Banking Act, in the general business of Ontario—

Mr. WALLACE—Have not they to be registered?

The MINISTER OF FINANCE—This Act says nothing of registration required. There is a general Act in Ontario about registration, but I am advised that this is excepted from the general Act and that this lien exists without registration. Gentlemen of the legal profession would be better informed as to that, but as I am instructed we have this system in the province of Ontario to-day. Even if it were not so, the experience, one might say of generations, has shown that this system of giving the banks a lien for advances made under the conditions referred to is a very convenient and necessary feature of our banking system. For a man of limited means who requires to go to the bank for accommodation to enable him to carry on his business, it is very necessary. While I quite understand the object which my hon. friend (Mr. Rosamond) has in view, and while I believe that occasionally instances may arise in which the system may seem to admit of abuse, still I hold that the experience of banking and business conditions has shown the present practice to be wise and useful, and I trust that on reflection my hon. friend will not press for so important a change as is contemplated by his amendment.

Mr. N. CLARKE WALLACE (West York)—There is one class of men in this country who will not offer any violent objection to the Bill as proposed by the Minister of Finance, and that class comprises the bankers themselves. They will hail with delight the provisions of this Bill from start to finish. Indeed it looks to me as if the bankers had drawn up the Bill and placed it in the hands of the Minister of Finance to carry it through the House. I would not say that, because I know that the Minister of Finance has sufficient ability to formulate a Bill himself, but if he did so, I am afraid he has some way got under the control or domination or influence of the bankers of Canada.

Mr. FOSTER—Malign influence.

Mr. WALLACE—Yes, malign influence. The whole Bill is a surrender to the banks. The banks of this country are indispensable to carry on our business, but unfortunately they have too strong a grip upon the members of this House.

Mr. FRASER (Guysborough)—Hear, hear.

Mr. WALLACE—The hon. member for Hamilton (Mr. Wood) at once records his approval of that.

Mr. WOOD—The member for Hamilton did not say a word.

Mr. WALLACE—The members of the House of Commons are like the rest of the community; they are either borrowers or lenders—most of us are borrowers I am afraid—and we are therefore under the control of the banks. Those who are lenders are owners of bank stocks and they are controlled by the bank too, because they are the bankers. Between the bankers, like my hon. friend from Hamilton, and those in the other class, this House of Commons has a pretty hard time in putting through effective bank legislation. We see the result of that in the Bill before the House. Under this Bill the banks are permitted to have rights and privileges with regard to securities which are not accorded to any other individual or corporations. Others, except the banks, have to register their liens so as to warn the public that that property is under lien, in order that people may be cautioned against lending money on the same property. The banks have not to do that, and other parties finding nothing in the registry office against the property go on trusting the owners on the strength of that property.

The MINISTER OF MARINE AND FISHERIES (Sir Louis Davies)—What security does the hon. gentleman refer to? Is it the chattel mortgage?

Mr. WALLACE—The chattel mortgage is given by the man who has the property in his possession, but a warehouse receipt is not of that class.

The MINISTER OF MARINE AND FISHERIES—Warehouse receipts are not registered whether the bank takes them or any one else.

Mr. WALLACE—I except them, but bills of sale and chattel mortgages are not and have not to be registered. Here is an association formed during the present session called the Bankers' Association, and which is given enormous powers in case of the insolvency of a bank. This Bankers' Association is to act as agents to wind up the affairs of an insolvent bank. They are given other enormous powers. They are making the banks a close corporation. New banks are almost prohibited from starting. We have increased the amount that is required to start a bank, therefore you have practically a close corporation of the banks already existing in the country.

The MINISTER OF FINANCE—The hon. gentleman is mistaken. We have not increased the amount required for starting a bank.

Mr. WALLACE—The amount was increased at the time the last amendments were made. Though that was done by our own government, I consider that it was a step in the wrong direction. The whole tendency of the legislation, both the last time and more conspicuously in this Bill, is to concentrate power in the banks. I do not remember any banks starting since the last charters were granted.

The MINISTER OF FINANCE—One was chartered; none was started.

Mr. Wallace—That is what I thought, proving practically that the tendency of all the legislation has been to make a close corporation of the banks, to make all of us who want to borrow money more largely under the control of the banks, and to prevent that system of free trade that should prevail.

An Hon. Member—Hear, hear.

Mr. Wallace—Yes, a system of free trade within our own borders. That is the true protective policy; protect us from outsiders, but give us absolute free trade within our own bounds. We do not charge duty on goods going from one province to another or from one portion of the Dominion to another. With regard to the other clauses of the Bill, the banks are permitted to hold real estate for a longer period than they were before, which I consider to be a step in the wrong direction. What reason is there for it? Simply to give the banks further and larger control. It is against the interest of the country for the banks to have power to hold land for what is practically an unlimited length of time. Then, a bank may lend money on the security of standing timber and the rights or licenses held by persons to cut or remove such timber. That is an additional power. Then, in section 17, it is provided:

> The bank may also lend money to any wholesale purchaser or shipper of or dealer in products of agriculture, the forest, quarry and mine, or the sea, lakes and rivers or to any wholesale purchaser or shipper of or dealer in live stock or dead stock and the products thereof, upon the security of such products or of such live stock or dead stock and the products thereof.

There is no registration required. That includes the products of everything. You cannot mention anything, I think, that is not included in this clause. I think the Government should have restricted the powers of the banks instead of adding to them without limitation. I have no doubt the Finance Minister to-day thinks so, too, and I have also no doubt that these banks were able to present a pistol to his head and compel him to accede to that proposition in the interest of the banks, but not in the interest of the people. These are my objections. The banks are given enormous powers. They are given power to issue circulation up to double the amount of their paid-up capital. A bank with a capital of a million dollars can loan that million dollars; it can then loan another million dollars simply for the cost of the paper in the bank notes; that is, $2,000,000, which it can loan on a capital of $1,000,000.

The Prime Minister (Sir Wilfred Laurier)—Hear, hear.

Mr. Wallace—The right hon. First Minister says " hear, hear." Is that right?

The Prime Minister—Is it wrong?

Mr. WALLACE—I think it is.

The PRIME MINISTER—I have never seen any evidence of it so far.

Mr. WALLACE—I cannot lend $200 on a capital of $100, but a bank can.

The MINISTER OF FINANCE—You can if you can get a man to take it.

Mr. WALLACE—It is not getting a man to take it. You make it legal tender; you force it on the people. A bank with a capital of $1,000,000 is able to lend and get interest on $2,000,000. I can only say that under such conditions the banking business ought to be the best business in this country, and so it is. I would advise the First Minister, if he desires to accumulate wealth, to go into that business. I would like to be in it myself under the splendid conditions which have been given from time to time, and which are enormously enlarged by the Bill now under consideration.

THE MINISTER OF MARINE AND FISHERIES—There is nothing to prevent you starting a bank.

Mr. WALLACE—Well, these bankers are the owners of the banks now, and, as I have pointed out, they have put a practical stop to the rest of us starting a bank if we had the money.

The PRIME MINISTER—That is not the point of view at all. The point of view is whether, if the banks had not that power, the facilities for lending or borrowing money would be increased or decreased.

Mr. WALLACE—My opinion is, that where you have close corporations banding themselves together and fixing the rate of interest, and preventing other banks being established, because that is the practical effect of our legislation, you have conditions which interfere with the freedom of trade in that regard, and inevitably raise the rate of interest. I object as one of the payers of interest. Those millionaires across there, like the Minister of Marine, may think this is all right; but I do not. I represent more people than he does in that regard, at any rate. The borrowers are much more numerous than the lenders, and we borrowers want our rights protected and the rate of interest kept down to the lowest notch, which it will not be under the conditions of this Bill, which from start to finish bears the impress of having the combined support of the bankers of this country. I say that that looks a suspicious circumstance and one that we should look more carefully into. The Finance Minister himself should be able to come before this House and say in this Bill:

We are giving more rights to the people, we have restricted the power of the banks where it was necessary in the interests of the people. But you cannot point out to a single line where that is being done in the present Bill.

Amendment (Mr. Rosamond) negatived.

Bill read the third time, and passed.

THE SENATE

THURSDAY, 7th June, 1900.

A message was received from the House of Commons with Bill (163) "An Act to amend the Bank Act."

Hon. Mr. MILLS moved that the Bill be read the first time.

Hon. Sir MACKENZIE BOWELL—This is a very important Bill. Are there any material changes made in the law? Of course we all know that the bank charters expire at the end of every ten years, and that this is a renewal of the bank charters. I presume experience has led to some material changes in order to protect depositors and others. Are there any greater restrictions or any greater liberties given to the banks?

Hon. Mr. MILLS—I shall give full explanations when I move the second reading, but the hon. gentleman will find, on examination of the Bill that it is substantially the same as the law is now. The principle is exactly the same. There are very few alterations, and those are of a subordinate character. But the Banking Association is given some supervision over the issue of notes so as to prevent some of those frauds which have been committed under the present law.

Hon. Sir MACKENZIE BOWELL—Will the Bankers' Association have power to regulate the issue, and relieve the government of the responsibility now devolving on them to see that the law is carried out?

Hon. Mr. MILLS—No.

The Bill was read the first time.

The Senate adjourned.

THURSDAY, 14 June, 1900.

Hon. Mr. MILLS moved the second reading of Bill (163) "An Act to amend the Bank Act." He said:

In moving the second reading of this Bill it is not necessary that I should detain the House for more than a very few minutes. There is no new principle involved in the measure.

There is no radical departure from the banking system which at present prevails in this country. Our banking system has grown to what it is by slow degrees. It was not, in the first instance, based upon any abstract theory of banking, but was such as experience suggested as suited to the circumstances of the country. Ten years ago certain amendments were made in the Act, and now the time has come when it is necessary to consider what further changes experience has pointed out as necessary to our banking system. Perhaps in no country in the world has any system of banking worked more satisfactorily than that which has prevailed in this Dominion. We have had a few banking institutions that have failed. That must always happen under any conceivable state of things. You cannot devise a system of banking so perfect that it will obviate the necessity of good business habits as well as high character on the part of those who have the management of those institutions. Hon. gentlemen who have been obliged to consider the failures that have taken place in the case of a few banks in this country during the past ten years, know very well that those failures were not due to any defect in the general system of banking that has been adopted. Our system has, in fact, sprung from the commercial life of the community. It has been carefully considered by those who are interested in it, and who have been carrying it into operation. Experience from time to time suggested the necessity of changes, and the altered circumstances and conditions of the country may suggest further changes as well. The changes that are proposed in the Bill, the second reading of which I have moved, are changes, not of principle, but of certain details, and those details can be best considered in committee. There is no general principle running through the various amendments that have been suggested, and so there is no general principle to discuss in connection with the proposed changes. Each is important in itself. Each is easily understood, and I would, therefore, move the second reading of the Bill, and ask for the consideration of each of its clauses when the House goes into committee, and with the indulgence of the House I shall ask that we proceed into committee after the bill has been read the second time.

Hon. Sir MACKENZIE BOWELL—The hon. gentleman having intimated his intention to go into Committee at once, with the consent of the House, it will not be necessary for me to ask one or two questions that I intended to ask. It has been represented to me that in one of the clauses there are certain returns asked for from the banks which it is impossible for them to give, and I intended to ask the hon. gentleman whether he intends to make any amendment that would relieve the banks from the penalty which would be incurred by not complying with the provisions of the clause. It is very important that all the information possible that is in the possession of the banks should be given, in order that the country may know exactly the position in which banks stand. I may add, however, parenthetically, that Canada has been singularly fortunate in the past in her banking institutions, and the management of them. Whereas hundreds of banks have failed in other countries, and in some of the colonies, the banks of Canada have stood the test, and gone through the severe ordeal of depression in trade and failures all over the country, and still remained solvent. One or two banks, to which the Minister of Justice has referred, have failed, not through the system, but, to use a very strong expression, through the rascalities of those who were managing them. I know that under some legislation in the province of Ontario, calling for returns from loan companies and companies of that kind, it has been impossible to give proper answers, and what was the most objectionable part was the fact that the officers of the companies were asked to swear positively to the correctness of the returns. I know instances in which the presidents and managers—the presidents in particular—could not by any possibility know the details of the working of their institutions and they refused pointedly to make the affidavit. I know, speaking for myself, that when the affidavit was represented to me which presidents are required to make, I would not under any circumstances do it, and so changed it as to add to the affidavit "so far as I know," or "to the best of my knowledge." I may add that the Ontario Government accepted that, I suppose, looking at the provisions of the Act which they had passed, they found that anybody having any conscience to satisfy would not make the affidavit required. If there is a clause in this Bill, as has been pointed out to me, that cannot be complied with, it would only require a few words to make the change, and I would ask the hon. gentleman whether it is his intention to make that slight amendment.

Hon. Mr. MILLS—If the changes are very slight. I did not think it necessary to mention it at the second reading of the Bill, but the suggestion has been made, and I am prepared to accept the very slight change that is proposed. It is in clause 21.

Hon. Sir MACKENZIE BOWELL—It is a very slight change, but a very important one to the man who has to make the return.

The motion was agreed to, and the Bill was read the second time.

Hon. Mr. MILLS moved that the rules be suspended so far as they relate to this Bill.

The motion was agreed to.

The House resolved itself into a Committee of the Whole.

(In the Committee).

On the third clause :

> The expression "warehouse receipt," defined by sub-section (d) of section 2 of the Bank Act, includes receipts given by any person in charge of logs or timber in transit from timber limits, or other lands, to their place of destination.
>
> 2. The word "manufacturer," defined by paragraph (f) of section 2 of the said Act, includes a manufacturer of logs, timber or lumber.

Hon. Mr. CLEMOW—This is additional power given to the banks. They have not this power at present.

Hon. Mr. MILLS—That is a matter of doubt. The clause removes that doubt.

Hon. Mr. CLEMOW—I always understood they had not that power. The hon. minister thinks it desirable that they should have that power?

Hon. Mr. MILLS—I do.

Hon. Mr. CLEMOW—The lumber trade is an intricate trade and it is a matter of doubt whether the bank can carry it out as it has been carried out in the past.

Hon. Mr. MILLS—They have carried it out in the past, acting under the theory that the law is as it is proposed in this Bill to make it.

Hon. Mr. CLEMOW—Does the hon. gentleman declare that that is the case?

Hon. Mr. MILLS—It is not necessary for me to deliver a judgment upon it. They have not suffered by it. Experience has shown that it is a necessary provision, and we undertake to make clear what might be a matter of doubt under the present law.

Hon. Mr. CLEMOW—I know there is a divergence of opinion with respect to the tenure of this property, whether it is leasehold——

Hon. Mr. LOUGHEED—The hon. gentleman is referring to standing timber. This clause does not deal with standing timber.

Hon. Mr. SCOTT—This refers to timber in transit.

Hon. Sir Mackenzie Bowell—It is supposed to be in the warehouse, and the warehouse would consist of that portion of the Ottawa River on which it was carried until it reached Quebec, and the bank would hold it as security for advances made the same as if it were in the warehouse. The warehouse may be a thousand miles long.

Hon. Mr. Lougheed—I think a warehouse receipt to-day will cover that class of property. In the Act the expression "warehouse receipt" means any receipt given by any person for any goods, wares or merchandise, in actual or continual possession. Goods in transit may be in a man's possession just as much as if he had his hands upon them.

Hon. Mr. Mills—The language is broad enough to cover it and it does not require to be in a warehouse.

The clause was adopted.

On clause 15,

Hon. Mr. Mills—Sub-section 2 is a re-enactment without change of the provision to the present section 7 of the Bank Act, declaring that the bank is not to hold real property, except such as is required for its own use, beyond a period of seven years, but with an additional provision, following the Loan Companies' Act of last year, that the Treasury Board may extend the time for sale from time to time up to a period not to exceed five years more, making twelve years altogether. Then there is a provision that if the property is not sold and the Treasury Department gives notice that a sale must be effected or the property will be forfeited, then the bank has six months within which to sell it.

Hon. Sir Mackenzie Bowell—Forfeited to the Crown, I suppose, and not to the individuals?

Hon. Mr. Mills—To the Crown? Yes.

The clause was adopted.

On clause 16,

16. The bank may lend money upon the security of standing timber, and the rights or licenses held by persons to cut or remove such timber.

Hon. Sir Mackenzie Bowell—This is new?

Hon. Mr. Mills—Yes.

Hon. Mr. Scott—But the banks have been doing it for a long time and they have a prescriptive right to it.

Hon. Mr. Forget—They were never caught.

The clause was adopted.

On clause 21,

Hon. Mr. MILLS—The change of which my hon. friend opposite spoke on the motion for second reading is supposed to be made in this section.

We propose to amend this clause and make it read as follows:

> The bank shall, within twenty days after the close of each calendar year, transmit or deliver to the Minister of Finance and Receiver-General to be by him laid before parliament, a return of all drafts or bills of exchange.

Then, I strike out the words "or any other negotiable instruments of the bank."

Hon. Sir MACKENZIE BOWELL—That is not here?

Hon. Mr. MILLS—It was struck out. I am reading from the House of Commons Bill as amended.

Hon. Mr. LOUGHEED—The hon. gentleman is reading from the original draft.

Hon. Mr. MILLS—The remainder of the clause reads as follows:

> Issued by the bank to any person and remaining unpaid for more than five years prior to the date of such return.

Sub-section 2 reads:

> Such return shall be signed in the manner required for the monthly returns under section 85 of the Bank Act, and shall set forth, so far as known, the name of the person to whom, or at whose request, such draft or bill of exchange was issued, and his address, the payee thereof, the amount and date thereof, and where the same was payable, and the agency of the bank from which the same was issued.

Hon. gentlemen will see that I have inserted the words "so far as known," and I have struck out the words "if known."

Sub-section 3 reads:

> Every bank which neglects to transmit or deliver to the Minister of Finance and Receiver General the return referred to, so far as known, within the time above limited, shall incur a penalty of $50 for each and every day during which such neglect continues.

We have struck out the words "if known." The banks shall set forth so far as known the character of the papers for which no demand has been made, and the other expression "if known" refers to the address.

Hon. Mr. LOUGHEED—But the whole thing is "so far as known."

The amendment was agreed to, and the clause, as amended, was adopted.

On clause 24,

Hon. Mr. POWER—I should like to have some information respecting this clause, which enables the Bankers' Association to appoint a curator in case a bank suspends.

Hon. Mr. SCOTT—The necessity for this has arisen from the fact that a suspended bank issued notes after its suspension, and this is to enable the Bankers' Association to appoint a curator to prevent anything of that kind.

Hon. Mr. CLEMOW—The curator has nothing to do with the management of the bank?

Hon. Mr. SCOTT—No. He is to prevent the frauds which have been practised.

The clause was adopted.

Hon. Mr. SNOWBALL, from the Committee, reported the Bill with an amendment, which was concurred in.

The Bill was then read the third time, and passed under a suspension of the rule.

GILBART LECTURES, 1900*

No. II.

BY J. R. PAGET, ESQ., LL.D., BARRISTER-AT-LAW

WHAT CONSTITUTES RECEIVING PAYMENT OF CHEQUE FOR CUSTOMER

THE cases I have noticed in my previous lecture complete, I think, the category of recent decisions on the question of who or what is a customer. They are liberal decisions in favour of the banker, the last, that of Mr. Justice Bigham, too liberal, in my opinion, and not to be safely relied on. But there is a cognate point which arises under sec. 82, and which has been dealt with in some of these cases; namely, as to what constitutes receiving payment of a cheque for a customer.

This question in one form or another seems to be always cropping up. It occurred with direct reference to this section in Mr. Justice Denman's judgment in *Bissell v. Fox*. when he held that the crossed cheque having been at once treated as cash, the banker subsequently received payment for himself, and not for the customer; the plaintiff set up the contention in *Clark v. the London and County Bank;* it was raised in the Williams Brown case; it was suggested, and with much plausibility, in the case of *The Great Western Railway v. The London and County Bank*. And we have had to deal with what is really the same question from another standpoint, when we have had to consider whether a banker who credits a cheque as cash, or allows it to be drawn on before clearing becomes the holder or takes it for better or worse, a position which, much as we objected to it, seemed to be inevitable when the Court of Appeal in the *Royal Bank of Scotland v. Tottenham*, expressly affirmed the till then extremely dubious authority of *e.p.* Richdale. Now, as I told you last year, I am somewhat weary of this question, and save for the fact that there now seems a tendency in the Courts to revert to a more rational view of matters, I would not allude to it. But, as I have shown you the black side of the question, I feel I ought to show you the bright. To be able to

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IF CASHED OVER COUNTER SUBSEQUENT RECEIPT OF PAYMENT NOT FOR CUSTOMER

RECEIPT MUST BE *quâ* BANKER

take advantage of sec. 82 then, it is not sufficient to show you received the cheque from a customer, you must show that you received payment of it for a customer. Now, I do not believe that where a cheque is cashed over the counter, even for a customer, you could ever say subsequent payment of it was received for a customer, even where the banker had previously ascertained that the cheque would be paid. I think Mr. Justice Bigham's view that the London and County advanced the £142 10s. to Huggins on the credit of the cheque, then received payment of it for him, and, acting on his behalf, repaid themthemselves the amount, and put £25 to the credit of the District Council, is fantastic, and not a reasonable deduction from the facts. I think the bank did not receive payment for the person presenting the cheque in the Williams Brown case, despite the formalities of the casual customer's account and the counter cheque drawn for the amount. And you must receive the money in your character of banker. It is strange this should have been disputed. In the case of *Gillespie v. The International Bank of London*, decided in 1888, and reported in the *Journal* of the Institute, Vol. IX, p. 197, a bank who had presented a crossed cheque in the ordinary way, and had it dishonoured and also protested, were asked by the endorsee to enforce payment thereof on the assurance that he, the endorsee, had given value for it. The bank took the matter in hand and recovered payment, not from the bank on which the cheque was drawn, but through their solicitors, and presumably under threat of legal proceedings from the drawer of the cheque.

It turned out that the endorsee was not a holder for value and had, in fact, no title whatever to the cheque, and when the bank were called upon to refund, they appear to have set up that they were protected under this sec. 82, as having received payment of the cheque for a customer in good faith and without negligence. Now, I regard that contention as an absolute insult to common sense. True, as I said, sec. 82 does not use the word "collecting," but it carefully limits its protection to a banker receiving payment of a crossed cheque for a customer. And not only the wording of this particular section, but the whole hang of the crossed cheques sections makes it perfectly impossible to stretch their application to anything outside the strict relation of banker and customer as ordinarily understood in banking business. Whenever the Act talks of a banker doing this, that, or the other, even when it does not emphasize it, as it does here, by importing the correlative term "customer," you must read "banker" as meaning a banker acting in his capacity as banker, and not in any other capacity, business or private.

Years ago, I gave you a conclusive illustration of this. Sec. 60 exempts a banker on whom a bill is drawn payable on demand from liability in case of payment on a forged endorsement. And I put to you the case of Sir John Lubbock buying a horse and paying for the same by accepting a bill payable to order on demand. Of course, if he paid on a forged endorsement, he would have to pay over again, despite the provision of sec. 60, because he would be acting in his private capacity and not as a banker. So here you can only claim the protection of sec. 82 where you, in your capacity and acting within the scope of your business as a banker, receive payment of the crossed cheque for a customer, not merely a customer in other respects, but a customer in the ordinary banking sense, and with reference to this particular transaction. There may be diversities of opinion as to what is a customer, there may be latitude as to what is collecting, but looking at the whole scheme of the crossed cheques sections I have not the slightest hesitation in saying that no banker can ever be protected under sec. 82, where he has received payment from anybody except the banker on whom the crossed cheque is drawn. If either by yourselves or your solicitors you go enforcing, or even obtaining, payment of the cheque from any of the parties thereto, whether drawer or endorser, you may be collecting it in a sense, but as a debt collector, not as a banker; you may receive payment of it, but again as a debt collector or a solicitor, not as a banker for a customer. I repeat, in my opinion, you can only invoke the protection of sec. 82, where the person from whom you receive payment of the crossed cheque is the banker on whom it is drawn.

RECEIPT MAY BE FOR CUSTOMER THOUGH ACCOUNT OVERDRAWN AND BANK HOLDER FOR VALUE

But having thus cleared the ground of these two classes of cases, the one where the cheque has been actually or in effect cashed over the counter, the other where the banker does not receive the proceeds *quâ* banker, but as a debt collector or solicitor, we come to cases like *Clarke v. The London and County Bank*, where there was a real standing account, although it was overdrawn, and where the proceeds of the cheque were received from the bank on which it was drawn. And here the allowance of the protection of sec. 82, albeit open to criticism in the light of some of the authorities, seems, at any rate, reasonable and consonant with common sense.

No doubt there are difficulties in the way both on previous authority and on the ordinary interpretation of the words "receiving payment for a customer." If we look at previous authority, we have *Bissell v. Fox*, and the Williams Brown case, both of which may be cited as establishing that unless the proceeds are to be held at the disposition of the customer, payment is not received for him, but for the banker. Again, without resorting to any technicality such as the question of entering a cheque at once as cash, the position of a banker who receives a cheque from a customer whose account is overdrawn is unquestionably that of a holder for value. That you see from *The London and County Bank v. Groome.* The moment the cheque was dishonoured, the banker could sue on it in his own name, irrespective of any equities existing against the customer. And it is certainly not easy to reconcile this position with one which practically amounts to that of an agent for the customer. Then, looking at it from the ordinary point of view, the banker presumably knows the customer is overdrawn, is indebted to him, and by paying in the cheque, the customer has in effect said: "Take this and use it in paying yourself part of my indebtedness to you," and the banker gets the money for it with the view and purpose of paying himself part of the debt. Looked at in that way, it certainly does strike one that the banker collects or receives payment at least as much for himself as for the customer.

But it can be argued the other way. The cheque itself is no use to the banker, the money, no doubt, is. Even assuming that the intention of the customer in paying in the cheque is to reduce his overdraft, it is the money to be realized by the cheque, not the cheque itself, which is to be devoted to this purpose. It is at least as reasonable a view to treat the transaction as equivalent to the customer's saying to the banker: "Take this crossed cheque and get the money for it on my "behalf, and when you have got the money, apply it in reduc- "tion of my overdraft with you." And in that view, which was the one adopted in *Clarke v. The London and County*, it is perfectly consistent to say that the banker collected or received payment of the cheque for the customer, notwithstanding the existence of the overdraft and the fact that both parties contemplated the proceeds of the cheque going in reduction thereof.

CREDITING AS CASH NOT CONCLUSIVE—BANK MAY STILL COLLECT FOR CUSTOMER AND NOT AS OWNER

Then we have the old question of the crediting as cash before clearing, and the dilemma that if, according to *e.p.* Richdale and *The Royal Bank of Scotland v. Tottenham*, this constitutes the bank a holder for value, the bank does not subsequently collect for the customer, but for itself, as was definitely laid down by Mr. Justice Denman in *Bissell v. Fox*.

But now, by that fluctuation of legal decision to which I at the outset alluded, I think we have really got to the right side of this question again. True, the main new decision is only one of the Judicial Committee of the Privy Council, which, as I told you, is not technically binding on an English Court, but I cannot help thinking it would strongly influence any English Court in trying to come to the same reasonable conclusion.

Gaden v. The Newfoundland Savings Bank, was decided by the Judicial Committee on February 24th, 1899, and is reported 1899, A.C. 281. It was argued July 14th and 15th, 1898, so at any rate it is not a hasty judgment. Mrs. Gaden had some money to her credit in the Commercial Bank at St. John's Newfoundland. On December 8th, 1894, about eleven o'clock, she went to that bank, and drew a cheque for the full amount, payable to herself or bearer, and presented it to the ledger keeper, who, by direction of the manager, certified it in the usual manner by writing his initials across it, and gave it back so initialled to Mrs. Gaden. It was charged to her account in the books of the bank, and an entry was made in her pass-book balancing the account.

This cheque Mrs. Gaden immediately took to the office of the respondents, the Newfoundland Savings Bank, and there, without endorsing it, deposited it ; and an entry was thereupon made by the Savings Bank's officer in Mrs. Gaden's Savings Bank pass-book in these words : "1894. December 8th, deposit $3,850." On the same day, Saturday, December 8th, the Savings Bank deposited the cheque with the Union Bank of St. John's. On the following Monday, December 10th, the Union Bank presented it to the Commercial Bank for payment, when it was dishonoured. The Commercial Bank suspended payment on the morning of that day, December 10th. It never resumed payment, but was declared insolvent and wound up.

The cheque was returned by the Union Bank to the Savings Bank. No notice of dishonour was sent to Mrs. Gaden till December 14th. If the cheque had been presented to the Commercial Bank on the day it was drawn, viz., the Saturday, it would have been honoured. Mrs. Gaden claimed her money from the Savings Bank ; they declined to recognize her claim, and she sued them. The Colonial Courts decided against her, and she appealed to the Privy Council. And her main contention turned on this very point. It was argued on her behalf that the Savings Bank took the cheque as cash, and treated it as cash, and that therefore the loss was theirs, not hers. As you see, the facts raised the question very neatly. I do not think it makes any difference that the bank in question was called a Savings Bank, or that the cheque was handed in for the purpose of a deposit rather than a current account. It does not appear from the report whether the Savings Bank entered the cheque in their books as cash ; probably they did, but I do not see that an uncommunicated entry in the bank's own books could have any greater effect than a communicated entry in the pass-book. Indeed, one would naturally say it would be far less efficacious towards binding the bank.

The Privy Council gave their opinion against Mrs. Gaden, and intimated that they should advise Her Majesty to that effect, that being, as I told you, the usual form of a judgment of that tribunal. And what they say is of general applicability. It does not appear to be based on, or limited by any peculiar features of the case, but to deal with the broad question, and that in a satisfactory manner. For they said as follows:

"It was contended on behalf of the appellant that the initialling of the cheque had the effect of making it current as cash.

"It does not, however, appear to their Lordships, in the absence of evidence of such a usage, that any such effect can be attributed to this mode of indicating the acceptance of a cheque by the bank on which it is drawn. A cheque certified before delivery is subject, as regards its subsequent negotiation, to all the rules applicable to uncertified cheques. The only effect of the certifying is to give the cheque additional currency by showing on the face that it is drawn in good faith on funds sufficient to meet its payment, and by adding to the credit of the drawer that of the bank on which it is drawn.

"The entry in the pass-book has been much relied on as showing that the respondents accepted the cheque as cash; but such entries are not conclusive; they are admissions only, and, as in the case of receipts for the payment of money, they do not debar the party sought to be bound by them from showing the real nature of the transactions which they are intended to record.

"The question for decision is therefore reduced to this: Did the respondent acquire title to this cheque by discounting or purchasing it, or was it received merely on deposit for the purpose of collection with the further understanding that the amount when paid should be considered as a fund deposited by the appellant with the respondent on which the latter was to pay interest? In the absence of evidence of any express agreement between the appellant and the officer of the Savings Bank at the time of the deposit, the intention of the parties can only be implied from the circumstances in proof, including the fact that the cheque was certified. Is it to be inferred from this alone that the respondent, which was not a bank of discount, but whose duty and business it was merely to receive money on deposit, so far departed from its duty as well as from its general course of business, which must be presumed to have been in accordance with its duty, as to have accepted this cheque, not by way of deposit and for the purpose of obtaining the cash for it in the usual way, as the agents of the appellant, but with the intention of acquiring title to it, and thus in effect gratuitously guaranteeing its payment? Their Lordships are of opinion that there can be only one answer to this question—that which has been given by the Courts below. If there was any such agreement as the appellant sets up, it lay upon her to furnish proof of it, but in this she wholly failed."

The Judicial Committee go on to say that, as regards authority, no decided case proceeding upon a state of facts precisely similar had been cited, and that they had not been able to discover any such authority in the reports of the English Courts. That is very possibly the case, but I rather wish Richdale and Tottenham's cases had been mentioned to them, so that we might have had their views on them. In default of any direct authority, however, the Privy Council proceeded to support their view by the analogy of English cases where the reverse state of circumstances existed. They quoted two old cases in which bills, entered and treated as cash, had remained in the hands of the bankers at the time the bankers had become bankrupt. In those cases the contest had been between the creditors of the bankers and the customers who had paid in the bills, and in both cases, although in one the customer had endorsed the bill, it was held that the property in the bill had never passed out of the customer, and that he was entitled to the bill and its proceeds as against the creditors of the banker.

And they said, forcibly enough, that they could see no reason why the converse proposition should not hold equally good; why, in short, the banker should not be entitled to the same treatment as the customer. If the property did not pass in the one case where its passing would benefit the banker, or, at any rate, his creditors, why should it be deemed to have passed in another with similar facts, when its passing was a burden to the banker and not a benefit? So, now, as far as the Privy Council can settle anything, we have got this strong and eminently satisfactory decision on this troublesome point. And to a certain extent it is backed up by a very recent decision of the Court of Appeal. In the case of *Bavins and Sims v. The London and South-Western Bank*, decided by the Court of Appeal on December 1st, 1899, to which I shall have to refer presently, in answer to the contention that the position of the defendant bank had been altered by reason of their having paid over to a customer the proceeds of a document analogous to a cheque, which had come into their hands for collection, it was argued that their position was not really altered inasmuch as it was open to them at any time, should they have to refund the money to the rightful owner, to debit the customer again with the amount, and the Court of Appeal distinctly adopted this view. Here, again, the difficulties arising out of Tottenham's case and *ex parte* Richdale, in which, as you remember, it was distinctly said the property passed on crediting as cash, were not brought to their notice, but the judgment stands as it is, and if you can treat not only the entry but the payment as conditional, provisional and revocable, *a fortiori*, the entry alone must be conditional, provisional, and revocable, and you cannot be said, by reason of such entry, to be subsequently collecting for yourself and not for a customer.

It is not easy to reconcile these conflicting decisions. I am not sure that they can be reconciled. A possible view seems to be this. When you have credited a cheque as cash, and present it, and it is dishonoured, you have two alternative courses open to you. One, you may treat the entry as provisional, debit the customer, and return him the cheque. Two, you may, so to speak, confirm the entry, and sue on the cheque in your own name, treating yourself as a holder for value, and that whether the customer was overdrawn or not, or even whether he has drawn against the cheque or not.

It is an excellent position for the banker, and, as I say, though there is no authority for the whole proposition, there is authority for each half of it, and that is enough for us. Moreover, we may safely deduce that the mere crediting as cash will not prevent the subsequent collection being for the customer, and it seems at least arguable that even if the cheque has been already drawn against in a regular account the protection still attaches. The balance of the cheque in *Clarke v. The London and County* had been drawn against, and the Court seem to have thought it made no difference.

APPLICATION OF SECTION 82 TO ORDERS TO PAY UPON SIGNING OF ATTACHED RECEIPTS

The case of *Bavins, Jun., and Sims v. The London and South-Western Bank*, which I casually mentioned just now, deserves more consideration. For it deals with those anomalous documents, orders on bankers partaking of the nature of cheques, but having receipts attached thereto, the signing of which is made in the body of the order a condition precedent to the obtaining of the money. The facts were very briefly as follows: On July, 1898, the Great Northern Railway Company gave to the plaintiffs, in payment of a tradesman's account, an order in writing in this form :—

The G.N.R. Co., London, July 7th, 1898. The Union Bank of London, Ltd., 2 Princess Street, E.C. Pay to J. Bavins, Jun., and Sims the sum of £69 7s. Provided the receipt form at foot hereof is duly signed, stamped and dated. £69 7s. Signature of Secretary. . . Received from the G.N.R. Co. the above-named sum as per particulars furnished. This receipt is not to be detached from the cheque.

Signature Dated , 189 .

This order was crossed generally. It was stolen from the plaintiffs, and the receipt was not signed, nor was the document endorsed by them. The document was brought to the London and South-Western Bank by a man who was accompanied by the husband of a customer of that bank. At the request of the cashier the receipt form was there and then stamped, filled in, signed, and dated, and the document endorsed. Now, with regard to the endorsement, I shall have something to say presently, but a peculiar feature about both signature of receipt and endorsement was present, although apparently it was not detected until the case came before the Court of Appeal. Both signature and endorsement were badly written and they were both in the name of Bavins, Trench and Sims, the individual who was responsible for them having read the word "Junior" as the surname Trench, possibly through nervousness at being suddenly called on to commit a forgery. On July 16th, the London and South-Western Bank in good faith received the money from the Union Bank; they credited it to their customer, who, remember, was the wife of the man who accompanied the person who brought and signed the order and receipt, and they dealt with her on the footing that the money belonged to her before they had any notice that the signature and endorsement were forgeries. The case came before Mr. Justice Kennedy, and he gave judgment for the plaintiffs, holding that the document was not a cheque, because it was not an unconditional order for payment, and therefore the bank were not entitled to the protection of sec. 82, but incidentally he said that there was no negligence on the part of the bank. Two things seem to have escaped notice in the Court below; one, the fact that the receipt and the endorsement were signed in a different name from that of the payee's; second, the existence of sec. 17 of the Revenue Act of 1883. The bank took the case to the Court of Appeal, and there for the first time, apparently, this discrepancy between the name of the payee and that in which the document was endorsed and the receipt signed, was discovered. In the Court of Appeal this question of the Revenue Act, 1883, was raised by the bank.

I do not really think it is to be wondered at that this enactment had escaped notice; no one would dream of looking in a Revenue Act for a section affecting the provisions of the crossed cheques sections of the Bills of Exchange Act. The point is referred to in Chalmers on Bills, but so far as I know, nowhere else. However, there the section is, and it has full effect, just as it would have had it been included in a dog-muzzling Act.

It provides that sections 76 to 82, both inclusive, of the Bills of Exchange Act, 1882, shall extend to any document issued by a customer of any banker and intended to enable any person or body corporate to obtain payment from such banker of the sum mentioned in such document, and shall so extend as if the said document were a cheque. Provided that nothing in this Act shall be deemed to render any such document a negotiable instrument. Sections 76 to 82 are, of course, the crossed cheque sections of the Bills of Exchange Act.

But this discovery did not save the bank. The Court of Appeal, having detected the discrepancy in the signatures, held that the bank's not having done so was negligence on their part, and therefore, even had the document been the most regular of cheques, they would have lost the protection of sec. 82.

It seems rather hard measure to fix a busy bank cashier with negligence for not at once discovering something which seems to have escaped the notice of a good many other people who had more time and leisure to study the document, but not having seen the order myself, I am perhaps not in a position to form an opinion on the subject. But there was a point in the case which, though I understand it was casually raised in argument in the Court of Appeal, does not appear in their judgment. The order was to pay to Bavins, Jun., and Sims. It was brought to the defendant bank by a person who was accompanied by the husband of a customer. The receipt was signed and the order endorsed by this person, and the proceeds were received by the defendant bank for and credited to their customer, viz., the wife of the person who accompanied the man who brought and endorsed the order and signed the receipt. This sounds like the "House that Jack built," but I cannot put it otherwise. Now, as you will recollect, this sec. 17 of the Revenue Act, 1883, which is the only thing on which the bank could rely as extending to these anomalous documents the protection of sec. 82, defines the documents to which it applies as "any document "issued by a customer of any banker and intended to enable "any person or body corporate to obtain payment from such "banker of the sum mentioned in such document, and there is this important proviso, "Provided that nothing in this Act contained shall be "deemed to render any such document a negoti-"able instrument."

Now, what does that mean? Negotiable instrument is a difficult term to define. In *Picker v. The London and County* it was defined as an instrument which passes the rights of the transferor to the transferee; in *Simmons v. The Joint Stock Bank* it was defined, probably more correctly for general purposes, as an instrument passing absolute title to a *bona fide* holder for value, irrespective of any defect in the title of previous holders. And you might argue that when you are dealing with the crossed cheques sections, the effect of saying a document is to have the benefit of them, but it is not to be negotiable, is equivalent to saying that it is to be treated as a cheque crossed "not negotiable," which crossing, as we know, is just as good for sec. 82 as any other. But I am sure of this, that when you find in a statute a provision that a document is not to be negotiable, it means that it is not to be transferable. It puts the document on the mere common law footing, under which rights of action, claims for money, documents entitling a specified person to receive money, were not and are not, transferable or assignable.

The Bills of Exchange Act itself recognizes this. Section 8 says: "When a bill contains words prohibiting transfer or indi-"cating an intention that it should not be transferable, it is "valid as between the parties thereto, but is *not negotiable*," negotiable here being used as exactly the same thing as transferable, and the sections as to negotiation of bills are to the same effect. As to the non-negotiable crossing, that is purely an artificial and most unfortunate use of the term. It only applies to the particular case to which it is confined, and as if recognizing that the use in this connection of the term was abnormal, the section goes on to define what is to be the effect of such crossing. And if any confirmation of this view were needed, it is to be found in the body of this section of the Revenue Act, 1883. The document must be one "intended to "enable *any person or body corporate* to obtain payment from "such banker of the sum mentioned in such document." "Any "person or body corporate" obviously means the person or body corporate named as payee in the document; if the document were transferable there would be no sense in thus particularizing the possible transferee. It is quite plain what are the class of documents aimed at, orders on bankers for club subscriptions, charitable subscriptions, and so on. There is no reason why such documents should be transferable, and they are not so. In the present, and I should fancy in most cases of documents of this sort, such documents are not expressed to be payable to So-and-so or order, but it could make no difference if they were.

You cannot make a non-transferable instrument transferable by the mere use of the words "or order," and an enactment which applies secs. 76 to 82 of the Bills of Exchange Act does not apply sec. 8, which alone makes a bill payable to a particular person, without words prohibiting transfer, equivalent to one payable to order. Moreover there is this peculiarity to be noticed. The document is only payable if the receipt is signed by the payee. If it were transferable you would get this result, that the payee would give a receipt for money he had not received, and that the paying bank would have to pay someone else money which the payee had already acknowledged he had received, thereby discharging the bank. This is very like a *reductio ad absurdum.*

And so this case might well have been decided on this point alone. True, the South-Western Bank collected for a customer, the wife, but she was not the payee; they must have known she was not J. Bavins, Jun., and Sims, and they admitted such knowledge by insisting on having the document indorsed; they must be taken to have known the law, including the Revenue Act, 1883, therefore they were acting negligently, and were outside the protection of sec. 82; or, to put it otherwise, the document when collected for a transferee was excluded from the protection it would have carried when collected for the payee. It is a condition of its being imported into the crossed cheques sections that it shall not be transferred.

So never collect any of these documents for anybody except the person or body corporate named in the order. If you are the paying banker, I think the thing is not nearly so clear. If the document, as in the case of *Bavins and Sims v. The South-Western Bank* does not purport to be payable to So-and-so or order, and is presented by the ostensible payee, you must satisfy yourself that he is the right person before you pay him. If the document purports to be payable to So-and-so or order, and is presented to you by an ostensible indorsee, I think you would be pretty safe in paying it. For I think you would be protected by that surviving sec. 19 of the Stamp Act, 1853. That section provides that any draft or order drawn upon a banker for a sum of money payable to order on demand, which shall, when presented for payment, purport to be indorsed by the person to whom the same shall be drawn payable, shall be a sufficient authority to such banker to pay the amount of such draft or order to the bearer thereof. It is quite true that this section goes on to say it shall not be incumbent on the banker to prove the genuineness or authority of such indorsement, but I think the provision I have quoted is specific enough to stand by itself. These documents are orders drawn on a banker; if they are to order, the indorsement apparently by the payee is sufficient authority to pay to bearer, whether he be the payee or not. This seems to run counter to the proviso to sec. 17 of the Revenue Act, 1883, that nothing therein contained shall make them negotiable instruments, but this section of the Stamp Act, 1853, is not, and could not be, contained in the Act of 1883, it is not repealed by that or any other Act, and when it applies I consider you are entitled to its protection.

So we get the curious result that *quoad* the paying banker, these documents, if made payable to order, are practically negotiable, *quoad* the collecting banker they are not. If they come to you through another banker, being indorsed, but not crossed, I think the same applies; they are payable to bearer, and that is enough for you. If they come to you through another banker being crossed, I cannot see why you should not have the protection of sec. 80, though I believe doubts have arisen on this point. The only doubtful case I can see is where they come to you through another banker, neither crossed nor indorsed, but ostensibly as being collected for the payee. That case is not very likely to happen; if it did, I think you would be entitled to ask to be satisfied as to the identity.

STATISTICS FROM THE REPORT OF THE DIRECTOR OF THE UNITED STATES MINT

THE admirably complete statistical information afforded by the annual report of the Director of the United States Mint has acquired added interest in view of the question now arising as to whether the largely increasing production of gold is in adequate proportions to the augmented requirements of finance consequent upon the unprecedented industrial development which has lately been taking place—a question which is emphasized by the nature of the efforts which have had to be exerted for some months past in the chief financial centres of Europe and America to maintain banking reserves at comfortable levels.

The following figures, abstracted from the report recently issued,* will be found instructive :

PRODUCT OF GOLD AND SILVER IN THE WORLD SINCE 1860

[The annual production of 1860 to 1872 is obtained from 5-year period estimates, compiled by Dr. Adolph Soetbeer. Since 1872 the estimates are those of the Bureau of the Mint.]

(000 omitted)

CALENDAR YEARS	GOLD		SILVER	
	FINE OUNCES	VALUE	FINE OUNCES	COMMERCIAL VALUE
1860	6,486	$134,083	29,095	$39,337
1861	5,949	122,989	35,401	46,191
1862	5,949	122,989	35,401	47,651
1863	5,949	122,989	35,401	47,616
1864	5,949	122,989	35,401	47,616
1865	5,949	122,989	35,401	47,368
1866	6,270	129,614	43,051	57,646
1867	6,270	129,614	43,051	57,173
1868	6,270	129,614	43,051	57,086
1869	6,270	129,614	43,051	57,043
1870	6,270	129,614	43,051	57,173
1871	5,591	115,577	63,317	83,958
1872	5,591	115,577	63,317	83,705
Total	78,766	1,628,252	547,997	729,563

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*For the fiscal year ended 30th June, 1899.

(000 omitted)

CALENDAR YEARS	GOLD		SILVER	
	FINE OUNCES	VALUE	FINE OUNCES	COMMERCIAL VALUE
1873..................	4,653	96,200	63,267	82,120
1874..................	4,390	90,750	55,300	70,674
1875..................	4,716	97,500	62,261	77,578
1876..................	5,016	103,700	67,753	78,322
1877..................	5,512	113,947	62,679	75,278
1878..................	5,761	119,092	73,385	84,540
1879..................	5,262	108,778	74,383	83,532
1880..................	5,148	106,436	74,795	85,640
1881..................	4,983	103,023	79,020	89,925
1882..................	4,934	101,996	86,472	98,232
1883..................	4,614	95,392	89,175	98,984
1884..................	4,921	101,729	81,567	90,785
1885..................	5,245	108,435	91,609	97,518
1886..................	5,135	106,163	93,297	92,793
1887..................	5,116	105,774	96,123	94,031
1888..................	5,330	110,196	108,827	102,185
1889..................	5,973	123,489	120,213	112,414
1890..................	5,749	118,848	126,095	131,937
1891..................	6,320	130,650	137,170	135,500
1892..................	7,094	146,651	153,151	133,404
1893..................	7,618	157,494	165,472	129,119
1894..................	8,764	181,175	164,610	104,493
1895..................	9,615	198,763	167,500	109,545
1896..................	9,783	202,251	157,061	105,859
1897..................	11,552	238,812	164,073	98,443
1898..................	13,904	287,428	165,295	97,524
Total	167,120	3,454,683	2,780,566	2,560,386
Grand total	245,886	5,082,935	3,328,563	3,289,949

Commenting on the largely increasing production of gold the Director of the Mint remarks:

"The production of gold in all of the important gold fields of the world is increasing rapidly, and with prospects of continued gains for years to come. . . The production in Australia to date, in 1899, has shown a gain of 25 per cent. over the corresponding months of 1898, which indicates a probable gain for the full year of $16,000,000. The United States, Canada, and Mexico will probably increase their product $18,000,000. In South Africa the production in the first half of the year was 35 per cent. above the yield of the same months in 1898, and if the industry had been undisturbed the gain for the year would doubtless have been above $20,000,000. As all these principal districts are now in condition to produce at a higher rate than at the opening of the present year, and all are preparing for larger yields, it is not improbable that when operations are fully resumed in South Africa, the world's output will quickly pass $400,000,000 per annum. The world's stock of coin is now being increased more rapidly and by a higher annual percentage to the existing stock than during the period from 1850 to 1860, when the great output of gold from California and Australia startled the economists of all countries, and gave the world a depreciating standard of value. The effect of this new flood of standard money upon the markets, the industries, the earnings of those who work for wages, and all the varied relations of the people in our present highly organized society will be a most interesting study. It must be a potent factor in affairs."

GOLD COIN AND BULLION IN EUROPEAN BANKS OF ISSUE.

(000 omitted)

BANK AND TREASURIES	DEC. 31, 1892	DEC. 31, 1897	DEC. 31, 1898	INCREASE.	DECREASE.
Bank of England *a*	$112,352	$137,428	$133,464	....	$3,964
Scotch banks of issue *b*	24,805	30,122	31,942	$1,820	....
Irish banks of issue *b*	14,523	15,191	14,917	....	273
Bank of Germany	78,739	137,757	122,383	....	15,374
German war fund	28,560	28,560	28,560	....	....
Austro-Hungarian Bank and public treasuries	60,193	205,981	201,185	....	4,795
Bank of France	329,779	376,909	351,761	....	25,147
Bank of Spain	36,727	45,834	53,364	7,529	....
Bank of Portugal	2,489	5,172	5,230	57	....
Bank of the Netherlands	15,406	12,776	20,813	8,036	....
National Bank of Belgium	14,239	17,099	19,261	2,161	....
Bank of Italy Bank of Naples Bank of Sicily	75,115	76,621	77,586	965	....
Russian Imperial Bank and treasury *c*	382,567	676,786	508,665	....	168,121*d*
Bank of Finland	4,188	4,303	4,053	....	250
National Bank of Roumania	10,576	11,097	11,560	463	....
National Bank of Bulgaria	386	810	849	38	....
National Bank of Servia	1,775	965	984	19	....
Imperial Ottoman Bank in Turkey	4,433	5,934	8,598	2,663	....
Swiss banks of issue	12,969	17,987	18,431	443	....
National Bank of Denmark	15,729	17,447	19,666	2,219	....
Bank of Norway	7,214	7,737	8,585	847	....
Sweden Royal and private banks	6,542	10,190	10,791	601	....
Bank of Greece	443	366	402	35	....
Total	1,239,760	1,843,084	1,653,059	27,903	217,928
Net decrease	....	....	....	....	190,025

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a Issue department only.

b Includes subsidiary silver.

c These figures for 1892 and 1867 include credits in foreign banks. In 1898 these credits are eliminated.

d The reduction in the amount of gold held by the Russian Treasury and Imperial Bank is for the most part offset by the increased amount of gold coin in circulation.

ESTIMATED STOCK OF GOLD IN THE UNITED STATES AND THE AMOUNT PER CAPITA AT THE CLOSE OF EACH FISCAL YEAR SINCE 1873:

(000 omitted)

FISCAL YEAR ENDING JUNE 30	POPULATION	GOLD, COIN AND BULLION	PER CAPITA	FISCAL YEAR ENDING JUNE 30	POPULATION	GOLD, COIN AND BULLION	PER CAPITA
1873	41,667	$135,000	$3.23	1887	58,680	$654,520	$11.15
1874	42,796	147,379	3.44	1888	59,974	705,818	11.76
1875	43,951	121,134	2.75	1889	61,289	680,063	11.09
1876	45,137	130,056	2.88	1890	62,622	695,563	11.10
1877	46,353	167,501	3.61	1891	63,975	646,582	10.10
1878	47,598	213,199	4.47	1892	65,520	664,275	10.15
1879	48,866	245,741	5.02	1893	66,946	597,697	8.93
1880	50,155	351,841	7.01	1894	68,397	627,293	9.18
1881	51,316	478,484	9.32	1895	69,878	636,229	9.10
1882	52,495	506,757	9.65	1896	71,390	599,597	8.40
1883	53,693	542,732	10.10	1897	72,937	696,270	9.55
1884	54,911	545,500	9.93	1898	74,522	861,514	11.56
1885	56,148	584,697	10.48	1899	76,148	962,865	12.64
1886	57,404	590,774	10.29				

GOLD COIN AND BULLION IMPORTED TO AND EXPORTED FROM THE UNITED STATES

(000 omitted)

YEAR ENDING—	EXCESS OF IMPORTS OVER EXPORTS	EXCESS OF EXPORTS OVER IMPORTS	YEAR ENDING—	EXCESS OF IMPORTS OVER EXPORTS	EXCESS OF EXPORTS OVER IMPORTS
June 30—			June 30—		
1870		$21,579	1885	18,213	
1871		59,802	1886		$22,208
1872		40,831	1887	$33,209	
1873		36,174	1888	25,558	
1874		14,539	1889		49,661
1875		53,284	1890		4,253
1876		23,184	1891		67,946
1877		344	1892		142
1878	$4,125		1893		86,897
1879	1,037		1894		4,172
1880	77,119		1895		30,117
1881	97,466		1896		78,904
1882	1,789		1897	44,609	
1883	6,133		1898	104,868	
1884		18,250	1899	51,428	

It will be observed that in the period between 31st December 1897 and the same date in 1898 the gold holdings of the principal banks of issue in Europe either remained about stationary or decreased; and the course of the flow of gold since the latter date would seem to indicate that their holdings have not been very materially added to in the interval. It might be supposed that this condition was owing to the gold reserve having reached an entirely adequate level, but the tension which has been witnessed in European monetary centres for some months past disposes of this supposition, and for explanation we have apparently to look to the changes which have taken place in the gold holdings of the United States. Here we note that after remaining practically stationary from 1893 to 1896 the stock of gold coin and bullion rose from $599,597,000 at 30th June 1896 to $962,865,000 at the same date in 1899.

It seems clear at this date that the growing currency needs of that country were sufficient to absorb the greater part of the issues of paper against silver purchases under the Sherman Act, so that it was not until 1893 that the excess of these issues had become sufficient to derange the country's finances. While the silver purchases were being made, the surplus production of gold was practically all available for the augmentation of the gold reserves of European countries. The redundancy of currency which existed in 1893 is shown to have disappeared by 1896 as the result of the country's growing requirements; and the still greater demands for currency consequent upon the unprecedented expansion of business commencing in 1897 have had to be met by a large absorption of gold, because of the inelasticity of the paper currency system. The amount of gold coin in circulation has probably not grown largely, but the legal tender notes in the reserves of the bank have been reduced and the gold coin correspondingly increased.

A survey of the statistics quoted above seems to point to the conclusion that the struggle which has been necessary to maintain the banking reserves in the chief financial centres of the world at an adequate level, has been in part due to the extravagant gold requirements of the United States. The expansion of the National Bank circulation which has resulted from the recent Refunding Act will no doubt for the time being relieve the drain of gold, but this is a purely temporary expedient, and unless some radical changes are made in the currency system of the United States, it seems certain that the absorption of gold by that country—in large part for mere currency purposes—will sooner or later be resumed on a considerable scale. The question then presents itself as to whether the annual increase in the production of gold will be at a sufficient rate to permit of this absorption being met without seriously affecting the world's money markets.

ESSAY COMPETITION, 1900

AWARD

The following is a copy of the report of the Special Committee appointed to examine the Essays submitted in the competition of 1900:

E. S. CLOUSTON, Esq., MONTREAL, 29th Sept. 1900
President Canadian Bankers' Association

DEAR SIR,—We beg to inform you that after reading the various Essays written by Associates and submitted to us in connection with this year's competition, we report as follows:—

SENIOR COMPETITION

First prize: "Triangle"—A. St. L. Trigge, Canadian Bank of Commerce, New York.

Second prize: "L'Aiglon"—C. M. Wrenshall, Merchants Bank of Canada, Montreal.

JUNIOR COMPETITION

First prize: "Propere et provide"—H. B. Robinson, Bank of Montreal, St. John, N.B.

Second prize: "Edward Hughlings"—Percy Gomery, Canadian Bank of Commerce, Hamilton.

In our judgment several of the Essays come so nearly up to the standard of the second prizes, that we think we should name them as worthy of honorable mention. They are:—

SENIORS.

"L'Union fait la Force"—J. H. Mitchell, Bank of Ottawa, Montreal.

"Cupio"—R. W. Crompton, Canadian Bank of Commerce, Toronto.

JUNIORS.

"Nec timeo nec spiro"—H. S. Dickinson, Bank of Toronto, Barrie, Ont.

"Kruger"—H. T. Jaffray, Imperial Bank of Canada, Portage la Prairie, Man.

We beg to say that nine Essays were submitted in the senior competition, and six in the junior.

In view of the excellence of those Essays which have received honorable mention above, we would suggest for your consideration the granting of a consolation prize in each case.

We are, dear sir,
Yours faithfully,

(Signed) G. HAGUE,
A. D. DURNFORD,
F. H. MATHEWSON

QUESTIONS ON POINTS OF PRACTICAL INTEREST

FORM FOR QUESTIONS

The Editing Committee
Journal of the Canadian Bankers' Association, Toronto.

Please give your opinion on the following point by mail* / in the next issue of the Journal

Question : ....

....

....

....

....

.... { If the question does not call for an answer by mail, the enquirer's name need not be given if he so prefers.

*If answer is desired by mail, stamp should be enclosed.

QUESTIONS ON POINTS OF PRACTICAL INTEREST

THE Editing Committee are prepared to reply through this column to enquiries of Associates or subscribers from time to time on matters of law or banking practice, under the advice of Counsel where the law is not clearly established.

In order to make this service of additional value the Committee will reply direct by letter where an opinion is desired promptly, in which case stamp should be enclosed.

The questions received since the last issue of the JOURNAL are appended, together with the answers of the Committee:

Goods sold in England by Canadian firm, to be drawn for plus expenses—Form of draft

QUESTION 349.—A Canadian firm sell in England goods at a cost of $1,000, for which they are to draw at sight, covering every expense. Should they draw for $1,000 plus charges in Canadian currency, or for a sterling amount, and if the latter at what rate of exchange?

ANSWER.—We think they might draw for the amount in currency, but in practice it would be more convenient to draw for such amount in sterling as would yield $1,000 at the current rate for sight bills.

"Noting" dishonoured bills

QUESTION 350.—(1) A bank hand a dishonoured bill to their Notary for noting pending an expected settlement in a few days. (a) Should Notary attach long declaration of noting in accordance with Form A in the schedule to the Act, or simply endorse a memorandum of date and ledger-keeper's answer referred to in Smith's Merc. Law. 3rd Am. Ed'n., p. 328. Maclaren, at p. 285 would suggest the short memo., but Smith says this "per se is of no legal effect." (b) In either case should Notary send notices to the parties on the bill?

(2) Is there any sufficient sanction for the practice of protesting a bill before 10 a.m. of the day succeeding the day of

dishonour as of the day of dishonour. That is to say, noting and protesting it, the bank having, say, overlooked it the day before.

ANSWER.—(Not applicable in the Province of Quebec nor to foreign bills).

(1) We think it ought to be clearly understood that *noting* a dishonoured bill does not enable the bank to hold the parties to it liable pending an expected settlement in a few days. The parties are held liable only if notices of dishonour are sent in accordance with the provisions of the Act.

The practice in regard to "noting" usually amounts to the Notary presenting the bill for payment on the day of maturity, and taking no further steps until the close of business the following day, by which time the note may be paid. If notice of dishonour is not given within the proper time the noting is of no effect. The only case in which evidence of the noting is needed is one where the presentment is made by one notary, and the protest has for any reason to be completed by another. Form A in the first schedule would be useful in such a case, but any memorandum showing that the bill had been presented at the place of payment on the day it matured, and the answer received, would be sufficient.

(2) We do not think there is such a practice, and if there were it would not be valid. The holder may give notice of dishonour on the day after the bill matures (Sec. 49 k) and he may employ a Notary to give this notice on his behalf (Sec. 49 a), but if he invokes the aid of the Notary for this purpose on the day after maturity that would not enable the latter to "protest" the bill. As the practical results of the notice of dishonour are identical with those following a protest, this involves no disadvantage. Similarly the effect of absence of evidence of noting, where for any reason the Notary who presented the bill cannot complete his work, may be obviated by notice being given by the holder, or someone on his behalf, on the day following the date of maturity.

Form of notes given by joint stock companies

QUESTION 351.—(1). What is the proper wording of a note to be given by a limited liability company (say The A B C Co., Limited) to a bank?

(2) A note reads "We promise to pay," etc., and is signed as follows:

The A B C Co., Limited.
Richard Roe, John Doe,
Sec.-Treas. President

could John Doe and Richard Roe be held personally liable on such a note?

ANSWER.—It is correct to make such a note read " The A B C Co. Limited, promise to pay," in which case only the signatures of the authorized officers are necessary, or " We promise to pay," to be signed as set out in your second question.

In either case the company only is liable as promissor, and the persons who sign as its officers are not under any personal liability.

Joint stock companies—Authority of officers to accept bills

QUESTION 352.—With further reference to the above, the Secretary-Treasurer of a Limited Company accepted drafts on its behalf. On enquiry of the President as to his authority I was told that it was not necessary that he should have authority given him. On this information would I be justified in taking the acceptance?

ANSWER.—All that seems to be involved in the statement made by the President is his opinion that the Secretary-Treasurer, by right of his office, has power to bind the Company in the way mentioned, and we do not think this is the case. Even, however, if the President meant to assert more, we do not think his assertion, if not consistent with the fact, would necessarily be binding on the Company; it would depend on the scope of the President's authority. You would not, on the information given, be justified in taking this acceptance.

Draft—"no protest for non-acceptance." Return of bill dishonoured on day following maturity

QUESTION 353.—A draft sent by bank A to bank B for collection with instructions—" No protest for non-acceptance" attached was returned by bank B to bank A on the first business day after the maturity of the bill unprotested. Can the drawer of the bill decline to take it up on his being requested to do so by bank A? If not, can bank A hold bank B liable for the amount? Under section 49, sub-secs. 3 and 4, Bills of Exchange Act, is not the return of the bill unpaid a good notice of dishonour?

The bill in question bore only the endorsement of the drawer, he having made it payable to his own order.

ANSWER.—As the return within the proper time of the dishonoured bill was in point of fact notice of dishonour, we do not think bank A can refuse to take it back, and if they notify their customer within the proper time of the dishonour, either by a formal notice to that effect or by sending him the dishonoured bill, he is liable.

The rights of the parties are not affected by the fact that there is no endorsement other than that of the drawer. If bank A's customer had been an endorser and not the drawer, he would in turn have the same right to pass on the bill to the drawer.

Bills accepted by attorneys and officers of incorporated companies. Collecting agent's responsibility for regularity of acceptance

QUESTION 354.—(1) A bank receives for collection a bill of exchange drawn on an incorporated company; does the bank incur any liability with regard to the acceptance which it takes, i.e. that it is signed by the proper person or persons on behalf of the company? Would the bank's position be affected by the fact that the company's account was or was not kept with it?

(2) A draft drawn on John Jones is left at his store, and his clerk writes John Jones' name across it without adding any initials. Does the bank holding it for collection incur any responsibility?

(3) If the collecting bank allows a bill to be accepted by one who claims to be an attorney, and it afterwards transpires that his authority has been previously cancelled, what would be the collecting bank's position? Is the party giving such a power of attorney under any obligation to advise the banks generally of its cancellation, he having lodged it only with his own bank?

(4) Is the authority of the proper persons to accept a bill of exchange on behalf of an incorporated company fixed by statute or by by-law of the company? Should there not be a requirement that the names of officers authorized to bind a company by signing bills of exchange and promissory notes should be recorded in the county registry office?

ANSWER.—In answer to the questions 1, 2 and 3 it may be said generally that the collecting bank is bound to use due diligence in procuring the acceptance of the drawee, and is responsible for the consequences of its negligence in this respect. An acceptance by unauthorized officials, or by one acting outside of the authority conferred on him, counts for nothing.

4. The proper officers to sign on behalf of an incorporated company are usually fixed by by-law. It is not usual to find statutory provisions on the subject. If there were no by-law the question would depend upon the scope of the authority of the persons signing.

The parties who give a power of attorney are under no obligation to give notice of its cancellation to the banks generally. When a bank is asked to take the signature of an agent or attorney on his principal's behalf, it must either ask for evidence or take the risk of accepting the signature without evidence.

Cheque—delay in presentment for payment. Recourse against the drawer

QUESTION 355.—A gets B to give him his cheque on bank Y for $500. He asks bank Z in the same town to cash it and hold it for a week without presenting, at the end of which, he, A, will take it up. If he fails to do so and the cheque is refused, would bank Z have a valid claim on B (a) if the cheque were dishonoured for want of funds, (b) if B had countermanded payment?

Is B responsible to a holder for value, until discharged by the Statute of Limitations, notwithstanding any delay in presentation which does not cause him actual damage?

ANSWER.—We think the drawer of the cheque is liable notwithstanding the non-presentation of the cheque for payment, until relieved by the Statute of Limitations; unless he suffers actual damage through delay.

QUESTION 356.—In what respect is the reasoning in the following at fault?

There is a tendency to regard the drawer of a cheque in the same light as the maker of a promissory note, but the Act says:—

Sec. 72. A cheque is a bill of exchange drawn on a bank, payable on demand.

Sec. 55 (A). The drawer engages to compensate the holder, only if it is dishonoured and the requisite proceedings taken.

Sec. 45. The drawer is discharged if the bill is not presented within a reasonable time after its issue.

Therefore, if a holder, who has opportunities of presenting a bill every day after its issue, holds a bill a week, it is not presented within a reasonable time and the drawer is discharged.

ANSWER.—Sec. 45 (B) is made applicable "subject to the provisions" of the Act, and the provisions of Sec. 73 affect the question so far as the drawer of a cheque is concerned. If a bill is payable on demand, presentment must be made within a reasonable time to render the drawer liable. Under Sec. 73 the effect of delay in the presentment of a cheque is, as above noted: the drawer is discharged if he suffers actual loss thereby.

Rules respecting endorsements

QUESTION 357.—E. A. Jones and W. A. Jones (equal partners) carry on business under the name of the Jones Manufacturing Company. Is the following endorsement (stamped or written) in accordance with conventions and rules of the Canadian Bankers' Association?

Pay to the order of
The————Bank
Jones Manufacturing Company
per W. A. Jones.

Should W. A. Jones place anything after his name to show that he is connected with the company; if so, what?

ANSWER.—Under the rule we think that W. A. Jones should add after his name "proprietor" or "one of the firm," or something of that kind. The endorsement purports to be that of a corporation, and under Rule 2 the official position of the person signing must be stated. The absence of the description does not, however, make the endorsement less binding.

Deceased Depositor—Letters of Administration—The Bank Act

QUESTION 358.—With reference to Section 84 of the Bank Act, as amended by Section 20 (3) of the amending Act of 1900, where a deceased depositor has more than $500 at his credit, and an administrator produces properly issued letters of administration to the estate and deposits with the bank a copy thereof as provided in such sub-section, what further enquiries must the bank make to be safe in paying over the money?

ANSWER.—We might point out that Sub-section 3 is applicable where the will has been proven or letters of administration issued in a country other than that in which the deposit has been made. In the absence of this provision an administrator claiming, for instance, under English letters of administration, has no right whatever to demand payment of a deposit made in Canada. Where the amount exceeds $500 he must take out letters of administration in the Canadian province where the debt is due. The amendment empowers a bank to make payment where the total deposited does not exceed $500 on the letters granted outside of the province.

Bill held for collection—Assignment of drawee before maturity of bill

QUESTION 360.—Bank A sends for collection to Bank B draft or note (to be protested in case). Drawee or maker assigns before maturity. What would be the position of Bank B to Bank A on the following points?

(1) Should draft or note be returned by Bank B on the assignment becoming known?

(2) If so, may not protest be waived to save unnecessary cost under the circumstances?

(3) Would it be correct to simply advise Bank A of the assignment, asking for instructions; or what option has Bank B in the matter?

Answer.—(1) We think that the duty of Bank B is to protest the note at maturity and return it, in the absence of other instructions.

Note bearing accommodation endorsements renewed by a bank with one endorsement omitted

Question 361.—A Bank discount for the promissor a note with three endorsers (accommodation). When this note becomes due the Bank receive through the mails a note stated to be a renewal note, but from which the signature of one endorser is absent. If the Bank put this through (considering the signature of the missing endorser of little financial value) could the remaining endorsers claim release on the grounds that the Bank had released without notice to them some of the security to the said note?

Answer.—Unless the Bank had knowledge of an agreement between the endorsers that all were to join in the renewal, we think that the Bank would be a holder in due course of the renewal note and entitled to recover.

Cheque payable to "cash" or order

Question 362.—What endorsement would be necessary on a cheque made payable to "Cash" or Order, or payable to Cash with the word "Order" simply ruled out?

Answer.—We would refer to the discussion of this point in the Gilbart Lecture reported on page 248 of Volume VI of the Journal.

Account in name of "Estate of John Smith," the latter being still living

Question 363.—(1) Is it usual to open accounts in name of "Estate of John Smith" or "Succession Jean Smith" while John Smith is living?

(2) If so opened by another, should he not show written authority to transact Smith's business?

Answer—We may say that it is not customary to open accounts in this manner, although there is nothing to prevent anyone from conducting his own account in such fashion.

(2) The party operating an account in this style on behalf of someone else should, we think, be required to produce written authority.

NOTES

ANNUAL MEETING OF THE CANADIAN BANKERS ASSOCIATION.

The annual meeting of the Association will be held at Toronto on 14th November. The formal notice will be issued shortly.

THE LEGAL RATE OF INTEREST

At the last session of Parliament the legal rate of interest on overdue debts, in respect of which there has been no agreement as to interest after maturity, was reduced from six to five per cent per annum.

Legal

LEGAL DECISIONS AFFECTING BANKERS

SUPERIOR COURT, QUEBEC

Lambe *es qual.* vs. John Manuel *es qual.*, and the Merchants Bank of Canada *et al.*, *mis en cause*, and the Attorney-General, intervening, and the defendant, *es qual.*, contesting intervention.*

The facts in this case are fully set out in the following judgment of—

SIR MELBOURNE M. TAIT, ACTING CHIEF JUSTICE :—By this action, which was instituted on the 24th of December, 1896, the plaintiff in his quality of collector of provincial revenue for the district of Montreal, sues the defendant, a resident of Ottawa, as well personally as in his quality of executor and universal residuary legatee under the last will and testament of the late Allan Gilmour of said city, to recover certain duties alleged to be due in respect of the succession of the said late Mr. Gilmour under the Provincial Statute of Quebec, 55-56 Vict., cap. 17, as amended by 57 Vict., cap. 16.

The late Mr. Gilmour made his will at Ottawa, in the province of Ontario, on the 6th of June, 1891. He died at the same place on the 25th February, 1895, and the will was probated there on the 10th April, 1895. There were three executors appointed, but the defendant was the only one who accepted office. After bequeathing certain special legacies, the testator devised and bequeathed all his residuary estate, both real and personal, to the defendant, who was not a relative of his. A certain portion of this residuary estate was situated in this province, and it is claimed that defendant is bound in accordance with said statute to pay a tax of 10 per cent. upon the value of said property.

The defendant pleads, 1st, a general issue ; 2nd, That the succession devolved at Ottawa, and that the property in question is not situated in this province, and is not liable for said duties ; and 3rd, That all legacy and succession duties by law

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imposed on the said succession including the assets in question in this cause, were claimed by, and were paid to the province of Ontario.

On the 28th of December, 1898, the Attorney-General of this province intervened. He sets up substantially the same facts as the plaintiff, and alleges that in the event of the plaintiff es-qualite not being entitled to recover, he is so entitled; and he prays that in the event of the plaintiff failing to obtain judgment as prayed for in his declaration, a judgment go in his favour in the same terms as prayed for by plaintiff.

The grounds alleged in answer to this intervention are substantially the same as those set up in the pleas to the principal action. The demand originally included a claim for double duties and penalty, but a retraxit has been filed withdrawing this part of the demand, the plaintiff and intervenant thereby declaring that each of them limits his claim for the payment of duty as asked for in their respective demands to the sum of $42,632.11, being 10 per cent. upon the following assets and property :—

(1) 626 shares of the capital stock of the Merchants Bank of Canada, of the value of....	$ 93,900 00
(2) Amount of loan to Mr. Law, of Montreal, secured by hypothec upon official lot No. 1818, in St. Antoine Ward, Montreal, $25,000, with accrued interest thereon, $1,233.58, forming a total of.................... ...	26,233 58
(3) 4,275 shares of the capital stock of the Canadian Bank of Commerce, of the value of ..	306,187 50
Total	$426,321 08

It is clearly established that the late Allan Gilmour, at the time of his death was proprietor of these shares, and of the claim against Mr. Law, and that they were of the value stated, so that if either plaintiff or intervenant is entitled to a judgment, it must go for the sum mentioned in the retraxit.

I may also remark here that, in answer to a question put by me to the learned counsel for the plaintiff, he frankly admitted that the proof of record was sufficient to establish that the defendant had already paid succession duty upon this same property to the Government of Ontario under the statute in force in that province, but of course did not admit that it had been rightfully claimed or paid.

The act in question (55-56 Vic., cap. 17) is intituled "An act respecting duties on successions and on transfers of real estate." It adds articles numbered from 1,191a to 1,191 i, inclusive, to the Revised Statutes of Quebec.

Art. 1,191b, as amended by 57 Vic., cap. 16, reads as follows :—"All transmissions, owing to death, of the property in usufruct or enjoyment of, movable and immovable property in the province, shall be liable to the following taxes, calculated upon the value of the property transmitted, after deducting debts and charges existing at the time of the death."

Sub-sections 1, 2 and 3 fix the amount of the tax. It is declared that "in estates the value of which, after deducting the debts and charges existing at the time of the death, does not exceed the sum of $3,000 no tax shall be exigible," and by sub-section 3, if the succession devolves to a stranger, the tax payable is 10 per cent.

Art. 600, C.C., enacts that "the place where a succession devolves is determined by the domicile." As the testator was domiciled in the Province of Ontario, it cannot be disputed that his succession devolved in that province. The defendant was also domiciled in Ontario. The property in question in this cause, and upon which succession duty is claimed is movable property.

Defendant by his counsel contends (1) that the act only applies to transmissions of property which result from the devolution of a succession in this province. (2) That the rule *mobilia sequuntur personam* applies.

It is argued that in the absence of any special or limited interpretation being given to the word "succession" used in the title and in other parts of this act, it should be interpreted to mean a succession devolving here, and regulated by our law. (Art. 596-597 and 599, C.C.); that when the act says "all transmissions, owing to death * * * * shall be liable," etc., it means all transmission in the province, owing to death of a person domiciled here, and that the words "debts and charges" can only reasonably apply to the debts and charges of a succession devolving here.

The other provisions of the act certainly appear to strengthen the view that what it is dealing with is a succession devolving under our law.

By article 1,191d, as amended by 57 Victoria, it is provided:—"Every heir, universal legatee, legatee by general or particular title, executor, trustee and administrator, or notary before whom a will has been executed, shall, within thirty days after the death of the testator or de cujus, forward to the collector of provincial revenue for the district wherein the testator died or the succession devolved a copy of the will, if there is one, and said persons, excepting the notary, shall also transmit, within three months, to such collector of provincial revenue, a declaration under oath, setting forth the name, surname and residence of the testator or de cujus, the description and real value of all the property transmitted, the amounts in detail of the debts and charges of the succession, with the names, surnames, residence and calling of all creditors, and, further, the nature and value of the share of the declarant in the succession, after deducting the debts and charges payable by him, of which a detailed statement, with the names, surnames, residence and calling of the creditors, must also be given.

The language of this article applies only to a succession devolving in this province, for the copy of the will and the declaration have to be sent to the collector of provincial revenue for the district wherein the testator died or the succession devolved. This can, of course, only mean one of the judicial districts of this province. Now the testator in this instance did not die nor did his succession devolve in this province, and then the details required to be given seem to be consistent only with dealing with a succession as a whole, opening here and subject to our law. As the obligation of sending a copy of the will, if there is one, and the declaration, does not apply to defendant, then the provision contained in sub-section 2, of this article for extending the delay for furnishing such declaration does not apply to him either, nor does the provision in sub-section 3, obliging the collector to prepare a statement of the amount of duties to be paid by the declarant, nor the provisions of sub-section 4, by which the collector is to inform the declarant of the amounts due by registered letter, mailed to his address, and notify him to pay the sum within thirty days after the notice is sent. These formalities seem to be a condition precedent to a suit, because the latter part of sub-section 4 says: "If the amount is not then paid to him (that is, after the notice is given), on the day fixed, according to the notice, the said collector may sue for the recovery thereof before any court of competent jurisdiction in his own district."

Then by sub-section 6, enacts: "If the declaration, so required, is not made within the prescribed delay, or within any extended delay that may have been granted, or if any false or incorrect statement is made in any such declaration, either as to the value or otherwise, double duties shall become due and be exacted in favour of Her Majesty, and the person in default shall, in addition to any other recourse against him, be liable to a penalty of $100 and in default of payment imprisonment for one month."

These penalties only apply to those who are bound to send the declaration to the collector of customs for the district wherein the testator dies or the succession devolves. The collector is the person appointed to take all suits under the Act and the only persons he can sue are either those who have sent in the declaration, or who ought to have sent it in and have failed to do so. If, therefore, art. 1191b is to be interpreted by art. 1191d it would seem the defendant's case was not contemplated by the Act at all. He certainly cannot be bound to pay double duty or penalty for not doing a thing that it was impossible for him to do, because he could not send a declaration to the collector of the district in this province wherein the testator died or the succession devolved. No provision whatever is made for the procedure to be followed in a case like the present, where the testator died and the succession devolved outside the province, and certain property happens to be located therein, and one would suppose that if the Legislature intended to deal with a case like the present there would have been some such provision made.

But although there is ground for doing so, I am not really required, for the purposes of this case, to decide that this Act might not reach the immovable property of the testator situated in this province. I, therefore, come to the second point, which appears to me to be well taken; that in any case it does not reach the movable property in question here.

The rule *mobilia sequunter personam* is well recognized in our law, and also in the law of England in interpreting the legacy and succession duty acts in force there.

I will cite two of the French authors who were consulted by the codifiers in framing art. 6 of our code:

1. Foelix (Demangeat), Liv. 1, Tit. 2, No. 61: "Par la nature des choses, les meubles, soit corporels, soit incorporels, n'ont pas a l'egal des immeubles, une assiette fixe dans l'endroit ou ils se trouvent de fait, ils dependent necessairement de la personne de l'individu a qu' ils appartiennent, et ils subissent la destination qu'il leur donne. Chaque individu étant legalement cense avoir reuni sa fortune au lieu de son domicile, c'est-à-dire au siege principal de ses affaires, on a toujours regarde en droit les meubles comme se trouvant au lieu du domicile de celui a qu' ils appartiennent, peu importe si, de fait, ils se trouvent ou non au dit lieu. Par une fiction legals on les considere comme suivant la personne et comme etant soumis à la même loi qui regit l'état et la capacite de cette personne; et nous avons vu (supra, No. 27) que cette loi est, celle du domicile (mobilia sequuntur personam; mobilia osibus inhoerent). En d'autres termes, le statut personnel gouverne les meubles corporels ou incorporels. Se statut, à leur egard, est réel, par siute de la fiction qui les repute se trouver au lien regit par ce même statut.

Pothier says:—"La grande regle du droit, relativement aux meubles, est, qu'ils suivent la loi du domicile du proprietaire.

"Mobilia, dit Dumoulin, sequuntur consuetudinem loci in quo quisque habet domicilium; et dans un autre endroit; mobilia ubicumque sint, sequuntur domicilium personoe.

" De la vient que les meubles sont censes être dans l'endroit ou est le domicile de la personne a laquelle ils apartiennent, parce qu'ils n'ont point de situation fixe et permanente. Mobilla consentur esse, ubi domicilium defunctus habebat.

" Cette regle etait bien importante autrefois, parce que les coutumes de France ne reglaient pas uniformement la succession aux meubles. Elles le devient moins, depuis que la nouvelle loi a efface toutes ces differences.

" Il y a cependant encore plusieurs cas ou elle peut revevoir son application.

" Si, par exemple, un Francais a des meubles dans un etat etranger, ils seront regis par la loi francaise ; et si un homme domicile en pays etranger, a des meubles en France, ils suivront la loi du domicile." (5 Pand. Frs. sur art. 3 C.N., pp. 35 and 36).

The Legislature has embodied this rule in art. 6 C.C., which enacts that " movable property is governed by the law of the domicile of its owner." It is true that it states that the law of this province is applied whenever the question involved relates to " public policy and the rights of the Crown," but I do not think this exception affects the present case. The very question here is whether the Legislature intended that the Crown should levy this tax. Examples of what is meant by rights of the Crown are found in arts. 401 and 637.

I think it is sound to say that the Legislature is presumed to know the common law and that statutes it passes are to be interpreted in the light of it and with reference to the principles of it in force at the time of their passage, and that it is not to be presumed that the Legislature intended to alter or depart from it unless such intention is clearly expressed.

Mr. Endlich at 174, p. 241, says :—" It being also a general principle that personal property has, except for some purposes, such as probate, no other situs than that of its owner, the right and disposition of it are governed by the law of the domicile of the owner, and not by the law of their local situation. Where an act imposes a burden in respect of personal property, it would be construed as far as its language permitted, as not intended to contravene the general principle."

The second section of the English Succession Duty Act seems to be drawn in as broad and general terms as ours, yet, if I understand correctly, the ruling in the English courts, if this movable property were in England it would not be subject to either legacy or succession duty. By section one it is declared that the term " property " alone shall include real property and personal property ; and that the term " Succession " means any property subject to duty under the act.

Mr. Hanson, in his work on "Death Duties" (Edn., 1897), commenting on the words "personal property" in sec. 1 (page 526), says:—"It has already been pointed out (ante., p. 423), that in order to render personal property liable for duty, it is necessary that it should be situate within this country, and that as property of a movable nature accompanies, in construction of law, the person of its owner, the situation of the owner's domicile at the time of his death, and not the actual local situation of the property itself, is the true test of its liability to duty. And with regard to the personal property other than chattels real of a testator or intestate who dies domiciled abroad, it is now settled that it is not chargeable with duty under this act (that is the Succession Act) any more than under the Legacy Duty Acts, notwithstanding that it may be actually situate in this country at the time of the owner's death."

In the leading case of *Wallace vs. Attorney-General*, Law Reps., Chancery Appeal, p. 1, the facts were these:

"Lord Henry Seymour died domiciled in France, where he was born in 1805, and always resided down to his death in 1859. By his testamentary disposition he left various legacies, and the residue of his property to the 'hospices' of Paris and London. Part of his estate consisted of a sum of upwards of £72,000 consuls standing in his own name in the English funds, and the claim of the Crown for succession duty upon the property was resisted."

Lord Cranworth, in delivering his judgment, stated among other things: "By the second section of the Act every disposition of property by reason whereof any person shall on the death of another become entitled to any property shall be deemed to confer on the person so becoming entitled, a succession, and on that succession the duty is imposed by section 10.

"The question, therefore, is whether, where a person domiciled abroad, makes a will giving personal property in this country by way of legacy, the legatee is a person becoming entitled to that property within the true intent and meaning of the second section. I think not. I think that in order to be brought within that section, he must be a person who becomes entitled by virtue of the laws of this country. Any wider construction would give rise to difficulties hardly to be surmounted. In collecting the duties, the officers of the revenue will in general find no difficulty, supposing the duties to be imposed only on persons entitled under our own laws. The officers know, or must be supposed to know, what these laws are with respect to the persons liable by our laws to the duties to be levied. But who the parties entitled under a foreign will are, is a question which no knowledge of our laws will enable them to solve. It can only be ascertained by evidence in every case showing what the foreign law is, and who is entitled under it. In some cases this may admit of little or no doubt, but in others it may be a matter of great difficulty, and in no case can the officers safely act until the rights of parties have been ascertained litigiously." * * * *

And again at page 9:—"Parliament has, no doubt, the power of taxing the succession of foreigners to their personal property in this country; but I can hardly think we ought to presume such an intention, unless it is clearly stated.

"The ground on which my opinion rests is that to the generality of the words in the second section under which a duty is imposed upon every person who becomes entitled to property on the death of another, some limitation must be implied, and that limitation can only be a limitation confining the operation of the words to persons who become entitled by virtue of the laws of this country."

Mr. Hanson, in referring to this judgment, says:—

"The proposition which Lord Cranworth lays down as the ground of his opinion in this case, viz.: that to the generality of the words in section 2, under which a duty is imposed upon every person who becomes entitled to property on the death of another, some limitation must be implied, and that can only be a limitation confining the operation of the words to persons who become entitled by virtue of the laws of this country—is, in fact, only another mode of stating the rule that, in order to be liable to duty, the property which is the subject-matter of the disposition must be situate within this country. Thus, the actual local situation of the property is clearly the test of liability with regard to real estate and chattels real, for it may be observed that in this very case of Wallace vs. Attorney-General, it was admitted that the duty was chargeable upon a leasehold house in this country belonging to the deceased, notwithstanding his foreign domicile. But the locality of personal property of a movable nature is regulated not by its actual situs, but by the domicile of the owner, and, therefore, the personal property of a person who dies domiciled abroad is not, in construction of law, situate within this country so as to be chargeable with duty; while, for the same reason, those who become entitled to it do so, in general, not by virtue of the laws of this country, but by virtue of the laws of the owner's domicile."

The power of the Legislature to levy a tax upon movable property situated in this province irrespective of where a testator is domiciled or the succession devolves, cannot be doubted, and it would not have been difficult to find language to express its intention to exercise it. The statute should, I think, be looked at as whole (Potter's Dwarris pp. 110 and 118), and should be interpreted in favour of defendant not only because the general principle is that every statute imposing a tax or penalty is to be construed strictly, but because the effect of imposing this tax upon the defendant will be to make him pay a succession duty twice, inasmuch as he has already paid it to the Ontario Government. (Hardcastle, p. 131. Potter's Dwarris, pp. 74, 75 and 245. Endlichs, p. 331. Maxwell, p. 401).

The Legislature of that province has been careful to make its intention clear. Section 2, R.S.O., cap. 24, defines "property" in the Act as including real and personal property of every description, etc., and section 4 defines what property is subject to succession duty (a) " All property situated in this province . . . . whether the deceased person owning or entitled thereto was domiciled in Ontario at the time of his death or was domiciled elsewhere, passing by will or intestacy."

This is the act under which the judgment in the Renfrew case, cited by plaintiff's counsel, was given.

I have come to the conclusion that I should interpret article 1191b in accordance with the rule of our law and of the English law regarding movable property above stated, and hold that it means all transmissions of such property in the province, belonging to persons domiciled therein at the time of their death, in other words, transmissions resulting from a succession devolving here and, that in the eye of the law the movable property in question is not situated in this province and is not subject to the tax sought to be imposed. This construction will not only be consistent with such rule but also with the other provisions of the act.

The action and intervention are, therefore, each dismissed with costs.

COURT OF APPEAL, ENGLAND

Great Western Railway Company v. London and County Banking Company (Limited)*

A person was for a number of years in the habit of cashing at a certain bank cheques drawn upon a bank elsewhere.

Held, that he was a "customer" of the bank within the meaning of sec. 82 (our sec. 81), notwithstanding that he kept no regular account with the bank.

This was an appeal from the judgment of Mr. Justice Bigham at the trial of the action without a jury (reported at p. 179, Vol. VII, JOURNAL). The action was brought to

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*16 *Times Law Reports*, 453.

recover £142 10s. money had and received by the defendants to the use of the plaintiffs, or, in the alternative, to recover damages to a like amount for the conversion of a cheque.

The facts were as follows:—One Huggins had been for many years a rate collector in the employment of the Wantage Rural District Council and of other similar bodies. In this capacity he had been in the habit of receiving from the plaintiffs and others cheques for the amounts payable by them for rates, and the cheques so received he used frequently to cash through the defendants' branch bank at Wantage. He had been in the habit of cashing cheques in this way for 15 or 20 years, and a considerable number of such cheques (50 or 60) were cashed by him in the course of each year. Apparently Huggins, on receipt of the money for the cheques, distributed it among the local bodies to whom he had to account. He was well known to the manager and officials of the bank at Wantage, and the bank were the bankers of the Wantage Rural District Council. Huggins, however, kept no account with the defendants, nor had he any pass-book; his transactions with the defendants were completely disposed of in each case as and when he brought the cheques. In November, 1898, Huggins falsely pretended to the plaintiffs that a rate had been made, and that the plaintiffs owed in respect of the same £142 10s. By this means he induced the plaintiffs to give him their cheque for that amount. The cheque was drawn on the head office of the London Joint Stock Bank in favour of Huggins or order; it was crossed generally and marked "not negotiable." On November 16 Huggins, in accordance with his usual course of dealings with the defendants, took this cheque to their bank at Wantage to get it cashed. He handed it across the counter to the bank clerk, and the latter filled up a paying-in slip, which Huggins signed. This paying-in slip contained no reference to the cheque itself, but purported to show a payment into the bank of £142 10s. in money, a payment out to Huggins of £117 10s., and a payment to the credit of the district council's account at Huggins' request of £25. The learned Judge at the trial held that the business effect of this was that the bank handed to Huggins the amount of the cheque, £142 10s., which he then and there disposed of to his own use. Having thus cbtained the cheque, the defendants crossed it to themselves, and sent it up to their head office in London for collection. On the next day, November 17, the cheque was duly presented and paid. Huggins' fraud was immediately discovered, and on November 18 he was arrested on a charge of obtaining the cheque by false pretences, and on January 2, 1899, he was tried, convicted, and sentenced. The plaintiffs then brought this action against the defendants. By section 81 of the Bills of Exchange Act, 1882, "where a person takes a crossed cheque which bears on it the words 'not negotiable' he shall not have and shall not be capable of giving a better title to the cheque than that which the person from whom he took it had." By section 82, "where a banker in good faith and without negligence receives payment for a customer of a cheque crossed generally or specially to himself, and the customer has no title or a defective title thereto, the banker shall not incur any liability to the true owner of the cheque by reason only of having received such payment." Mr. Justice Bigham found as a fact that the defendants received payment of the cheque in good faith and without negligence, and that they received it for Huggins; and he was of opinion that Huggins was a customer of the bank within the meaning of section 82. He accordingly held that, though Huggins had only a defective title to the cheque, and by section 81 could not give the defendants a better title than he himself had, yet by section 82 the defendants were protected from liability. He therefore directed that judgment should be entered for the defendants. The plaintiffs appealed.

Lord Justice A. L. Smith read the following considered judgment:

This action is brought by the Great Western Railway Company to recover from the London and County Banking Company as money had and received by the defendant bank to the use of the plaintiffs a sum amounting to £142 10s., or, in the alternative, in trover for a cheque for the like sum, which cheque had been fraudulently obtained from the plaintiffs by a man named Huggins, and which had been cashed by the defendants for Huggins and its proceeds received by the defendants from the plaintiff company under the following circumstances:—Huggins was a rate collector at Wantage, and by falsely pretending to the plaintiff company that certain rates were due from them obtained from the plaintiff company in supposed payment of the rates the cheque in question. It was a cheque drawn by the plaintiff company upon the London Joint Stock Bank in London in favor of Huggins or order, and was crossed "and Co.," "not negotiable." It was proved that the plaintiff company always paid Huggins the rates due from them by cheques in the above form. The cheque, it will be seen, was a cheque drawn upon the head office of the London Joint Stock Bank in London, and what I will call Huggins' ordinary course of business with the defendant bank was to go to its Wantage branch when he received cheques from the plaintiffs, endorse them, and then present them at the Wantage branch to be cashed. And this the defendant bank was accustomed to do for Huggins. This was the course of business between the defendant bank and Huggins; and at times, at Huggins' request, the branch bank would place some portion of the cash, which would otherwise have been handed to Huggins, to accounts named by Huggins. The branch bank then forwarded the cheque so cashed for Huggins to its head office in London, which then presented and obtained payment of the cheque from the drawers, in this case the plaintiffs in this action. This as regards the cheque in question had all taken place before the fraud of Huggins was detected by the plaintiffs, and when they did afterwards discover it they demanded the cheque or its proceeds from the defendants, which was refused. The plaintiffs thereupon brought this action. The plaintiffs in the first instance attempted to show that the defendants, when they took the cheque, took it with notice of Huggins' fraud, but in this they wholly failed, and this was abandoned at the trial. I will assume that money had and received or trover will lie in the circumstances of this case; but in the view I take it is not necessary to decide this, for supposing, as I will, that such actions or either of them will lie, if the question decided by my brother Bigham is rightly decided, as I think it is, this question becomes immaterial, for the real question is, Did the defendant bank in cashing the cheque for Huggins as they did, though crossed and with the words "not negotiable" thereon, come within the protection afforded to bankers by section 82 of the Bills of Exchange Act, 1882 (45 and 46 Vict., c. 61)? It is true that section 81 of the Act enacts that "where a person takes a crossed cheque which bears on it the words 'not negotiable' he shall not have and shall not be capable of giving a better title to the cheque than that which the person from whom he took it had"—in this case no better title than Huggins, which after disaffirmance of the transaction by the plaintiffs would be no title at all. But section 82 protects a banker who receives payment for a customer of a crossed cheque as follows:—"Where a banker in good faith and without negligence receives payment for a customer of a cheque crossed generally or specially to himself, and the customer has no title or a defective title thereto, the banker shall not incur any liability to the true owner of the cheque by reason only of having received such payment." Two points are made by the plaintiffs upon this section 82. The first is that Huggins was not a customer of the bank within the meaning of this section; and, secondly, if he were, the bank did not receive the proceeds of the cheque from the plaintiffs for their customer but for themselves. It was proved that the course of business between Huggins and the defendants—viz., the defendants' cashing cheques for Huggins whether crossed and with the words "not negotiable" thereon, or without being crossed, at the Wantage bank, and collecting them—had been in existence for some 20 years, and that this was the way, as between Huggins and the branch bank in which he obtained cash for the cheques received by him as rate collector. I agree with my brother Bigham that whether or not a man is a customer of a bank is a question of fact. I do not agree with the suggested reading of the section that the word "customer" is confined to the case of a person who keeps a current account with a bank. I can find no such limitation in the section. This is not like the case of a stranger coming to a bank upon an isolated occasion to get a cheque cashed, which was the case in *Matthews v. Brown* (63 *L.J.*, Q.B., 494), where it was held that such a person was not a customer within the section, Mr. Justice Cave saying that the word "customer" involves something of use and habit. In the present case there has been use and habit for 20 years. It was upon the same principle that Mr. Justice Collins, in *Lacave and Co. v. Crédit Lyonnais* ([1897] 1 Q.B., 148), decided that one Ponce was not a customer, the learned Judge saying (at page 155) that to constitute him one his relations must be much nearer and closer than those of Ponce in that case. I think that the cashing of the cheques for Huggins and then the collecting of the cheques by the defendant bank during a period of 20 years as a matter of fact constituted Huggins a customer of the bank, and I agree with Mr. Justice Bigham as to this. Then comes the next question, Did the bank receive payment of the cheque from the plaintiff company for their customer, Huggins, or for themselves? If they received such payment for Huggins I do not see how it can be even argued that Huggins was not their customer. It is said for the plaintiffs that the defendant bank did not do so, for it purchased from Huggins the cheque in question, and took it for better or for worse. I cannot think so. The defendant bank charged nothing for undertaking the suggested liability. Why should they have done so? I heard no reason, and I cannot conceive why they should have done so. The truth is that the branch bank, to accommodate Huggins and possibly themselves, in being able thus to pass money to London, cashed the London cheque at Wantage, undertaking to collect it for Huggins, he and not the bank standing the risk of the cheque not being met by the drawers. In my judgment they did not purchase the cheque at all. They collected it for Huggins, and not for themselves as argued. This is the inference Mr. Justice Bigham drew, and I draw the same. For the reasons above I am of opinion that the defendants are entitled to the protection afforded to bankers by section 82 of the Act, and I agree with my brother Bigham in the conclusion at which he arrived. The appeal must be dismissed with costs.

LORD JUSTICE VAUGHAN WILLIAMS read the following judgment:—Apart from the Bills of Exchange Act, 1882, I think there can be no doubt but that the defendant bank would, in the circumstances of this case, have become holders for value to the extent of the amount of the cheque, and would have been able to sue in their own right for that amount. The defendants would in no sense have had to sue as trustees for Huggins. This would have been their right and position as endorsees *bona fide* for value, and that value being the full amount of the cheque it seems to me immaterial for the question to be decided in the present case whether you speak of the defendants as discounters or purchasers or holders for full value. In any view they, apart from the Bills of Exchange Act, 1882, would have been holders of the cheque able to sue in their own right for the whole amount. See *Thiedeman v. Goldschmidt* (1 De G. F. and J. 4, at p. 11). Now of such persons it seems to me that it would be *prima facie* wrong to draw the inference that they were bankers receiving payment for a customer of a cheque endorsed generally by the payee and payable on demand, not being post-dated. Apart from some evidence of a contrary intention the right inference to draw in such a case would be that the bankers received for themselves and not for the customer. Now what is the evidence of contrary intention—that is, of an intention that the defendant bank should collect and receive payment of the cheque as agents for Huggins? Nothing that I can see, except the fact that they made no charge for cashing a cheque payable on demand. Against this is the fact that there are no entries in the bank books and no receipt or other document such as one would expect if the bank were really acting as collecting agents for Huggins. The bank were willing to give cash for the cheque because they trusted Huggins. The mere absence of an express bargain in the series of years leaves the *prima facie* presumption where it was. To draw the inference of agency in the absence of evidence is very like repealing the 81st section in the case of bankers. If this is the right view, does the fact that this cheque was marked "not negotiable" make any and what difference in the position of the bank? Are the defendants, notwithstanding these words "not negotiable," holders for value? I think they are. Section 81 runs thus:—[His Lordship read the section.] The section does not say that the person to whom the payee of the cheque gives a crossed cheque marked not negotiable shall not become transferee of the cheque, but merely that he shall not take a better title than that which the person from whom he took it had. The transferability of the cheque is not affected by the words "not negotiable," but only its negotiability. Such being the effect of section 81, I see nothing in this case to induce me to draw the inference that the defendants, after they ceased to retain the cheque by presenting it at the bank on which it was drawn and receiving the amount, received or held that amount as agents for Huggins; but Mr. Justice Bigham and my brethren take a different view of the facts, and draw the inference that the defendant bank received the amount of the cheque for their customer Huggins. Notwithstanding the fact that when they took the cheque from him they paid him the full amount by paying for him £25 to the Wantage Rural District Council and giving him the balance of £117 10s. in cash, I do not think that I ought to differ from three Judges on a question of fact, and it therefore becomes unnecessary to consider the question of the right of action of the plaintiffs, the drawers, on the assumption that section 82 affords the defendants no protection; but I see no reason to doubt but that the plaintiffs, as true owners of the cheque, would have an action for the money obtained by the presentation of the cheque, notwithstanding the fact that the cheque when issued was a voidable and not a void instrument. It would have been otherwise but for the statutory effect of the words "not negotiable," but I am inclined to think that the effect of those words is to place the person taking the cheque bearing those words in exactly the same position as the person from whom he takes it; but in the view of the facts taken by my brethren it is not necessary to decide this question.

Lord Justice Romer read the following judgment:—This is a curious case, and one of difficulty; but I have come to the conclusion that Mr. Justice Bigham was right in holding the defendant bank protected by section 82 of the Bills of Exchange Act, 1882. I think on the facts the preferable view of the arrangement between Huggins and the bank with regard to the cheque in question is that the latter was to forward the cheque for collection and to receive the proceeds on behalf of Huggins in the sense in which the section speaks of a bank receiving payment for a customer, and that in anticipation of such receipt the bank advanced to Huggins the amount of the cheque. Of course the bank had the right to apply the proceeds in repayment of the advance, and had a lien on the cheque for the amount of the advance; but this, while establishing that the bank had a beneficial interest to the fullest extent in the cheque, does not conflict with the position taken up by the bank that in a legal sense, in the sense of the wording of section 82, the bank, when receiving the proceeds of the cheque, did so on behalf of Huggins. Suppose in this case Huggins had a current account with the bank, which was not in credit, and that the cheque had been paid in by him in the ordinary way as a customer, and that the bank had credited him with the amount at once, and allowed him to draw against that amount before the bank received payment of the cheque—in that case, equally with this, the bank might have had a beneficial interest in the cheque even to the extent of its full value; but it would clearly, in my opinion, have received payment of the cheque for its customer within section 82. In that case, as in this, the bank, as against the world, would have been a "holder for value" of the cheque within the definition of holder for value in the Act. But this is perfectly consistent with the view that in both cases, within the meaning of section 82, the bank received payment of the cheque for Huggins. The chief facts which lead me to the conclusion that in this case the bank received payment of the cheque for Huggins are that throughout the long period during which Huggins' cheques were cashed by the defendant bank there is no evidence or suggestion of any bargain being come to between them, or of any contract of purchase being negotiated or really intended. It is clear that no remuneration was paid to the bank by Huggins for advancing the amounts of the cheques, and I cannot think that it was intended that the bank should run any risk in the matter of title, or any risk whatever other than that involved in the mere advance of the amounts of the cheques. It must be remembered that what the bank cashed for Huggins were cheques payable immediately and drawn to his order, and were not even like short bills; and the true intent of the parties is, in my opinion, further shown by the fact that the bank advanced to Huggins the full amounts of the cheques without charge, even though some were, like the one in question in this action, crossed "not negotiable," which to a bank must necessarily have caussd hesitation or doubt if the bank were doing anything more than acting as a bank in receiving payment of the cheques on behalf of a customer. If I am right in the view that the true arrangement between Huggins and the bank in cashing his cheques was that the bank should receive payment of them for Huggins and apply the proceeds in repayment of its advances, then I cannot doubt, bearing in mind how long and continuously that arrangement had existed and been acted on, but that at the time the cheque in question in this action was cashed the relation of banker and customer existed between Huggins and the defendant bank, and that the bank received payment of that cheque for a customer within the meaning of section 82. It cannot have been essential that a current account should have been opened, into which the advances on the cheques on the one hand and the payments to the bank on those cheques on the other hand should be entered. This view renders it unnecessary for me to consider whether, if the bank could not avail itself of the provisions of section 82, it could as an innocent party escape liability on the ground that the payment of the cheque to it was by the act of the plaintiff company itself.

STATEMENT OF BANKS acting under Dominion Government charter for the months of June, July and August, 1900, and comparison with June, 1899:

LIABILITIES

	30th June, 1900	30th July, 1900	31st August, 1900	30th June 1899
Capital authorized	$ 79,108,664	*$ 82,608,664*	*$ 82,358,664*	$76,808,664
Capital paid up	64,735,145	*65,039,550*	*65,368,255*	63,674,085
Reserve Fund	32,792,608	*33,093,412*	*33,245,018*	28,956,908
Notes in circulation	$ 45,577,387	*$ 46,007,906*	*47,421,277*	$ 39,097,708
Dominion and Provincial Government deposits	7,929,379	*6,554,508*	*5,603,362*	7,407,996
Public deposits on demand *in Canada**	99,702,599	*99,743,997*	*100,738,575*	91,852,400
Public deposits after notice	177,554,117	*181,045,944*	*183,007,679*	166,549,940
Deposits elsewhere than in Canada	....	*16,451,536*	*16,429,516*	....
Bank loans or deposits from other banks secured, *including bills rediscounted*	478,032	*1,372,020*	*1,337,916*	42,000
Bank loans or deposits from other banks unsecured	2,322,434	*3,589,977*	*3,384,578*	3,529,152
Due other banks in Canada in daily exchanges	133,307			144,822
Due other banks in United Kingdom	5,304,936	*15,516,541*	*5,713,769*	6,536,052
Due other banks in foreign countries	808,945	....	....	684,932
Due other Banks elsewhere than in Canada and the United Kingdom	....	*1,364,434*	*569,873*	....
Other liabilities	484,059	*7,496,036*	*6,965,301*	485,392
Total liabilities	$340,295,278	*379,142,971*	*371,171,916*	316,330,478

*Where part of a line is in italics the latter should be read only with the italicized figures.

ASSETS

Specie	$10,185,868	*$10,839,628*	*$11,080,742*	$ 9,240,810
Dominion notes	18,035,608	*18,471,719*	*18,243,566*	16,959,927
Deposits to secure note circulation	2,130,421	*2,359,091*	*2,372,973*	2,016,573
Notes and cheques of other banks	10,012,221	*10,860,501*	*9,947,178*	11,015,876
Loans to other banks secured, *including bills rediscounted*	445,438	*1,323,798*	*1,295,152*	46,185
Deposits made with other banks	3,925,552	*4,752,561*	*4,253,174*	3,606,522
Due from other banks in Canada in daily exchanges	217,388			280,673
Due from other banks in United Kingdom	6,665,016	*6,368,373*	*6,014,776*	10,170,065
Due from other banks in foreign countries	19,833,013	....	....	21,674,085
Due from other banks elsewhere than in Canada and the United Kingdom	....	*14,821,154*	*12,374,707*	....
Dominion Government debentures or stock	4,501,727	....	....	4,898,019
Dominion and Provincial Government securities	....	*10,760,273*	*11,182,752*	....
Public, municipal and railway securities	31,754,669	....	....	31,107,771
Canadian municipal securities, and British or foreign or colonial public securities other than Canadian	....	*10,798,587*	*10,887,664*	....
Railway and other bonds, debentures and stocks	....	*22,416,019*	*24,210,972*	....
Call *and short* loans on bonds and stocks *in Canada*	29,272,904	*29,528,128*	*30,028,215*	30,659,460
Call and short loans elsewhere than in Canada	....	*25,303,238*	*27,771,191*	....
Current loans *in Canada*	285,488,152	*272,849,602*	*272,012,320*	250,974,389
Current loans elsewhere than in Canada	....	*13,896,237*	*14,885,183*	....
Loans to Dominion and Provincial Governments	2,099,815	*1,277,842*	*1,501,760*	3,150,714
Overdue debts	1,873,564	*1,944,095*	*1,988,004*	2,080,089
Real estate	993,560	*1,021,288*	*991,911*	1,810,380
Mortgages on real estate sold	643,664	*560,926*	*575,919*	607,875
Bank premises	6,103,359	*6,308,677*	*6,335,039*	6,012,083
Other assets	6,165,994	*12,253,120*	*8,174,399*	2,624,712
Total assets	440,348,102	*478,714,935*	*476,127,784*	$408,936,411
Loans to directors or their firms	10,147,112	*13,058,337*	*11,744,413*	$7,182,672
Average amount of specie held during the month	10,429,174	*10,710,679*	*11,002,953*	9,308,030
Average Dominion notes held during the month	17,759,712	*17,623,868*	*17,697,548*	16,383,245
Greatest amount of notes in circulation during month	46,859,110	*47,673,633*	*48,242,681*	39,313,896

UNREVISED FOREIGN TRADE RETURNS, CANADA

(000 omitted)

IMPORTS

Year ended 30th June—	1899		1900	
Free	$59,807		$68,453	
Dutiable	87,536		104,200	
	$147,343		$172,653	
Bullion and coin	4,677	$152,020	8,298	$180,951

EXPORTS

For the Year ended 30th June—				
Products of the mine	$13,343		$14,106	
" Fisheries	9,948		11,303	
" Forest	28,025		30,050	
Animals and their produce	46,688		55,898	
Agricultural produce	23,014		27,429	
Manufactures	11,457		13,693	
Miscellaneous	201		339	
	$132,676		$152,819	
Bullion and Coin	4,010	$136,686	8,641	$161,460

SUMMARY (in dollars)

For the Year ended June—	1899	1900
Total imports, other than bullion and coin	$147,343,000	$172,653,000
Total exports, other than bullion and coin	132,676,000	152,819,000
Excess of Imports	$14,667,000	$19,834,000
Net Excess bullion and coin	(*Imp.*) 667,000	(*Exp.*) 343,000

MONTHLY TOTALS OF BANK CLEARINGS at the cities of Montreal, Toronto, Halifax, Hamilton, Winnipeg, St. John, Vancouver and Victoria.

(000 omitted)

	MONTREAL		TORONTO		HALIFAX		HAMILTON	
	1898-9	1899-00	1898-9	1899-00	1898-9	1899-00	1898-9	1899-00
	$	$	$	$	$	$	$	$
September	61,856	64,163	33,932	39,842	4,919	5,937	2,773	3,590
October ..	66,354	69,792	38,349	46,979	5,408	6,795	3,103	3,608
November	67,246	71,101	39,125	44,637	5,154	6,645	3 147	3,680
December	69,143	68,979	43,508	47,011	5,838	6,744	3,334	3,730
January ..	64,850	62,853	42,388	45,114	5,913	6,707	3,274	3,742
February .	62,432	54,250	40,818	37,864	4,583	5,354	2,807	3,040
March ...	62,043	54,882	39,012	40,581	5,285	5,868	3,021	3,171
April	50,003	55,915	33,035	38,842	4,472	6,004	2,858	3,099
May	56,475	62,332	34,374	43,215	4,798	5,984	2,932	3,493
June	63,756	65,543	41,189	44,545	5,461	6,187	3,224	3,342
July......	63,209	61,293	40,569	44,400	4,742	7,184	3,304	3,194
August ..	63,115	58,229	37,207	37,075	7,823	7,162	3,138	3,035
	750,484	749,332	463,506	510,125	64,396	76,571	36,915	40,724

	WINNIPEG		ST. JOHN		VANCOUVER	VICTORIA
	1898-9	1899-00	1898-9	1899-00	1899-00	1899-00
	$	$	$	$	$	$
September	6,414	8,281	2,508	3,004	4,513	3,024
October ..	9,347	12,689	2,498	2,814	4,751	3,059
November	11,553	14,435	2,660	2,903	3,785	2,588
December	10,708	12,966	2,746	2,963	4,090	3,006
January ..	7,683	9,906	2,470	3,033	3,550	3,044
February .	6,209	6,702	2,212	2,342	2,881	2,324
March ...	5,968	7,320	2,148	2,509	3,378	2,372
April	6,240	7,091	2,254	2,492	3,543	2,106
May	8,683	9,762	2,513	2,945	3,717	2,704
June	8,211	9,612	2,606	2,978	3,843	2,758
July......	8,169	9,395	2,753	3,468	4,286	2,986
August ..	7,995	8,173	3,103	3,561	4,391	2,875
	97,180	116,332	30,471	35,012	46,728	32,846

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JOURNAL

OF THE

CANADIAN BANKERS' ASSOCIATION

JANUARY—1901

PROCEEDINGS OF THE NINTH ANNUAL MEETING OF THE CANADIAN BANKERS' ASSOCIATION

THE ninth annual meeting of the Association was held in the Private Bills Committee Room, Parliament Buildings, in the City of Toronto, on Thursday, the 15th day of November, 1900.

The chair was taken by the President at 11 o'clock.

The following members were present:

BANK	REPRESENTED BY
The Bank of Montreal	E. S. Clouston
" Quebec Bank	Thomas McDougall
" Bank of Toronto	Duncan Coulson
" Ontario Bank	C. McGill
" Merchants Bank of Canada	George Hague
" Union Bank of Canada	E. E. Webbe
" Canadian Bank of Commerce	B. E. Walker
" Dominion Bank	T. G. Brough
" Merchants Bank of Halifax	E. L. Pease
" Standard Bank of Canada	G. P. Reid

BANK	REPRESENTED BY
“ Bank of Hamilton - - -	J. Turnbull
“ La Banque d'Hochelaga - -	M. J. A. Prendergast
“ Imperial Bank of Canada - -	D. R. Wilkie
“ Bank of Ottawa - - -	George Burn
“ Union Bank of Halifax - -	E. L. Thorne
“ Traders Bank of Canada - -	H. S. Strathy
“ Bank of British North America -	H. Stikeman

The following associates were also present and registered during the sessions: Thos. Fyshe, A. F. H. Jones, H. A. Colson, G. M. Gibbs, W. H. Draper, G. W. Hodgetts, E. H. Barchard, W. Maynard, F. J. Macoun, S. L. Forrest, F. L. Patton, C. Bogert, H. J. Bethune, C. S. Rumsey, W. A. Copeland, M. Atkinson, T. S. Harrison, R. C. Jennings, A. W. Robarts, H. W. Fitton, J. L. Barnum, S. Strathy, W. Cooke, E. P. Gower, A. L. Hamilton, T. B. Phepoe, S. W. Mabon, D. H. Charles, F. W. S. Crispo, E. Stanger, M. E. Holden, F. Cole, F. C. G. Minty, R. C. Macpherson, W. F. Cooper, John Pringle, A. V. Spencer, W. R. Travers, J. Henderson, W. J. Robertson, H. C. Secord.

Mr. Z. A. Lash, Q.C., Counsel for the Association, and Mr. James R. Branch, Secretary of the American Bankers' Association, were also present.

Mr. A. E. Holt was appointed Secretary of the meeting.

Mr. Walker—Mr. President and fellow-associates, I have been asked to say a few words of welcome on this occasion. I am sorry for the kind of weather we have in Toronto, but I do not feel any sense of responsibility for it, because it is quite evident that the gentlemen from Quebec brought the weather along with them. I am also sorry that because of the weather and of the time of year, no effort could be made to afford any kind of physical pleasure to the Association. Such pleasure as they can have at the meeting must be intellectual.

If our guests from the United States were here I should have said a few words, and perhaps they may not in any event be amiss, as to our small numbers. If one visits a meeting of the American Bankers' Association, nothing strikes one so much as the fact that it is practically a great convention; hundreds and sometimes thousands of bankers attend; they bring their wives with them, and it is to a certain extent a species of junketing, while a great deal of discussion takes place regarding not only the larger aspects, but also the routine aspects of banking. That is lacking in our Association, but on the other hand we have the curious fact that the interests of banking in Canada, of our 36 banks, with five or six hundred branches is represented by 40 or 50 men, and practically by the 15 or 16 members of the Executive Council. There is in that fact a remarkable advantage. The consensus of opinion of the bankers of Canada upon any public question can be arrived at without difficulty. We have the great advantage of knowing, without coming together, from the fact that we are acquainted with each other, and have often met to discuss subjects, what is the thought upon a public question. For that reason we exercise in this country a force which seems to be out of all proportion to our numbers. The opinion of the banking world of Canada becomes concentrated in the Executive Council, and therefore the consensus is easily arrived at. We cannot then judge of the importance of our annual meeting by the numbers present. In fact the importance is clearly in inverse ratio to the numbers.

If we had time and were not likely to be engaged all day, there might be much for you to see here in Toronto. We are growing in manufactures and everything which makes a great city, in a very remarkable degree, and I can assure you that if the meetings of the Association are to be held in only two cities of Canada, we are making a very good second to Montreal, and we are not foolish enough to desire as yet to be considered anything but second. I have great pleasure, gentlemen, in welcoming you to this annual meeting of the Bankers' Association. (Applause).

THE PRESIDENT—I have to thank you on behalf of the visiting members of the Association and myself for your very cordial welcome. It is a matter of very great advantage to us to meet here once a year to discuss subjects of importance to us all, to review the events of the past year, and, as an American banker said, of the next year, to see what we shall do, whom we shall do, and how we shall do them. We are exceptionally fortunate in the selection of the place of meeting in the city of Toronto. A prosperous city, centrally situated, an object of great interest to the eye. I think there is no place outside of Montreal where we could better meet. Again I thank you for your kind welcome. (Applause).

The minutes of the last meeting, as of record in Volume 7, No. 2, of the Journal of the Association, were taken as read, and confirmed, on motion of Mr. STIKEMAN, seconded by Mr. PRENDERGAST.

The Secretary read the report of the Executive Council for the year 1899-1900, as follows:

REPORT OF THE EXECUTIVE COUNCIL OF THE ASSOCIATION FOR THE YEAR 1899-1900

To the Members and Associates:

The Executive Council beg to report as follows regarding the work of the Association during the past year:

In the Dominion Parliament the Association obtained incorporation, and the decennial revision of the Bank Act took place.

A meeting of the Executive Council was held at Montreal on the 12th of January, at which proposed amendments to the Bank Act were considered, and the draft Act of Incorporation was submitted by the Solicitor of the Association. Both of these matters were then referred to the Committee on Bank Charters and Legislation, and Messrs. Hague, Fyshe, Burn and Pease were added to this Committee, whose report has been received and will be presented to you.

ACT RESPECTING INTEREST

The Council would call your attention to an amendment to the Act respecting interest, passed by the Dominion Parliament, (Chap. 29, 63-64 Vic.) by which the legal rate of interest is reduced from six to five per cent.

QUEBEC AND NEW BRUNSWICK

In the Provinces of Quebec and New Brunswick the influence of the Association was successfully employed on several occasions to secure the modification or rejection of clauses in bills before the Legislature which were considered prejudicial to the interests of the banks and their customers.

OFFENCES AGAINST SECTION 100 OF THE BANK ACT

Two cases of alleged offences against Section 100 of the Bank Act were brought by your Council to the notice of the Government, with the result in both cases that the use of the title objected to was discontinued.

REGULATIONS CONCERNING CURATOR AND NOTE CIRCULATION

By Section 96 of the Bill of Amendments to the Bank Act, it becomes obligatory on the Association to submit for the approval of the Treasury Board, on or before the 1st of January, 1901, rules and regulations relating to the appointment of a curator to Banks which have suspended payment, and to the supervision of the note circulation. The Executive Council will submit for your approval, embodied in the proposed By-laws of the Association, a set of rules and regulations in this regard which it is thought will prove satisfactory.

THE ROBBERY AT DANVILLE, P.Q.

The attention of the Council was drawn to a robbery from the office of the Peoples Bank of Halifax at Danville, P.Q., and the thanks of the Association were tendered by the President to the men who at great personal risk effected the capture of the bank robbers, a band of six armed and desperate criminals. It was found to be the almost unanimous wish of the members of the Association that the prosocution should be assisted by the attendance at the trial of a Solicitor representing the Association, and it was decided to engage Mr. Donald MacMaster, Q.C., at the expense of the Banks which were willing to be assessed for the purpose, but as four of the robbers unfortunately escaped from the gaol at Sherbrooke, where they were confined awaiting trial, and the remaining two pleaded guilty, his services were not required.

TRANSFER OF ALL JOURNAL AND ASSOCIATE MEMBERSHIP WORK TO TORONTO

Owing to the retirement shortly after the last Annual General Meeting of Mr. Arthur Weir, for some years Secretary-Treasurer of the Association, it was found convenient to transfer to Toronto the Associate Membership books; and all matters in connection with the subscriptions of the Associate Members and with THE JOURNAL of the Association have been dealt with there during the past year.

The thanks of the Council are due to the Editing Committee and to the Sub-Editor of the Journal, who assumed charge of the additional work in Toronto necessitated by this change.

PRIZE ESSAY COMPETITION

The usual Prize Essay Competition took place, the result being as published in the October number of the Journal of the Association lately issued. The Council regret, that while commending the excellence of the essays which have received honourable mention, they do not consider it expedient to establish a precedent of granting prizes in excess of those established by the terms of the competition.

MEMBERSHIP

The membership of the Association has been increased during the past year by the admission of five banks, who joined at the time of incorporation, viz.: La Banque de St. Jean; the Bank of Yarmouth, Nova Scotia; the Exchange Bank of Yarmouth; the Commercial Bank of Windsor; the Summerside Bank.

There are now 34 banks (out of the 36 doing business in Canada) members of the Association, but the proposed absorption of the Bank of British Columbia by The Canadian Bank of Commerce will, when accomplished, reduce the number of members to 33.

INCREASE IN THE AMOUNT OF ANNUAL SUBSCRIPTIONS TO BE PAID BY MEMBERS

Owing to the growing responsibilities of the Association and the continuing enlargement of its field of action, it has been found that the sum realized from the annual subscriptions of the members has become insufficient to cover the expenses necessary to an efficient administration, and it is therefore proposed to increase these subscriptions. The schedule embodying this increase, which will be submitted to you for adoption among the by-laws of the Association, makes provision for an annual income which it is expected will be sufficient to supply the ordinary needs of the Association.

APPOINTMENT OF SECRETARY-TREASURER.

The Executive Council have appointed Mr. J. T. P. Knight, of Montreal, to be the Secretary-Treasurer of the Association, at a salary of $2,500 per annum, and you will be asked to confirm this appointment.

Moved by Mr. H. Stikeman, seconded by Mr. B. E. Walker, and resolved, that the report and statement of the Executive Council now read be adopted, and the appointment of Mr. J. T. P. Knight as Secretary-Treasurer of the Association be confirmed.

FINANCIAL STATEMENT

The Executive Council presented the following Financial Statement, duly audited by the Auditors of the Association, for the year ending 30th June, 1900:

ADMINISTRATION ACCOUNT

30 June, 1900

Balance from 30 June, 1899.	$ 737 24	Revenue from Members....	$3,500 00
Charges Account.........	4,614 96	do. Journal ...	267 90
Cash on hand...........	2 15	do. Associates..	1,289 00
		Balance	297 45
	$5,354 35		$5,354 35

BALANCE SHEET

30 June, 1900

Furniture Account........	$224 70	Bank overdrafts—	
Balance as above........	297 45	In Montreal........	$414 26
		In Toronto........	107 89
	$522 15		$522 15

Montreal, 26th October, 1900.
Audited and found correct,

T. Bienvenu,
J. Gillespie Muir, } *Auditors.*

The statement was adopted on motion of Mr. Stikeman, seconded by Mr. Walker.

The Secretary then read the following reports:

BANKERS' SECTION OF THE MONTREAL BOARD OF TRADE

The Canadian Bankers' Association, Toronto.

Gentlemen,—I am this day in receipt of your circular letter of the 5th inst., intimating that the Chairmen of Sub-sections are to send in their reports to the Secretary, to reach Toronto not later than to-morrow, the 13th inst.

I have the honour to report that the meetings of this Sub-section during the current year have been largely of a formal nature, few matters affecting banks, locally, having arisen which required attention from the Sub-section.

It might be well for the Association to consider the advisability of its being represented at meetings of Local Legislatures, in order to watch the passing of enactments which may be of interest to banks, although not conflicting with the Bank Act.

Two instances of this nature came before the notice of our Sub-section during the last session of the Quebec Legislature. One was that of a Loan Company seeking to receive money on deposit at interest, in competition with banks, which, after consultation with your President, The Bankers' Association took charge of and succeeded in having dropped. The other, relating to the domiciliation of notes and drafts, was brought to the attention of our representative on the Council of the Board of Trade, by that body. This Bill passed the Legislature.

The only other matter which engaged the attention of the Sub-section was the passing of a vote of condolence and regret on the death of Mr. F. Wolferstan Thomas, late General Manager of the Molsons Bank, who had always evinced a keen interest in the affairs of the Sub-section.

The whole respectfully submitted.

G. H. BALFOUR,
Chairman Bankers' Section, Montreal Board of Trade

Montreal, 12th November, 1900.

REPORT OF THE BANKERS' SECTION OF THE BOARD OF TRADE, TORONTO

The Bankers' Section of the Board of Trade, Toronto, presents the following report:

The proceedings of the year have been of an uneventful character, and the members of the Section have been called together on four occasions only.

Mr. Lash, the Counsel of the Association, kept carefully in touch with proposed legislation in the Ontario Legislature, and brought to the notice of the Section, Bills that were introduced as amendments to the Assessment Act. A committee was appointed in this connection, but the amendments were not passed, and no further action was required.

At the request of the Section, Mr. D. R. Wilkie was appointed a member of the Municipal Taxation Committee of the Board of Trade, and we are also pleased to report that Mr. Wilkie has been appointed a member of the Commission appointed by the Legislature of Ontario to consider the question of Municipal Assessments.

The Section has also to report that shortly after our last annual meeting Mr. R. D. Gamble, the Chairman of the Section, was taken away by death. An expression of the high appreciation in which he was held has already been given in the JOURNAL of the Association, and the Section has now only to say that his memory is still cherished and his loss is still felt.

J. HENDERSON, Chairman

REPORT OF THE COMMITTEE ON BANK CHARTERS AND INCORPORATION

As the present charters of the Canadian Banks will expire on the 1st of July, 1901, and it being customary when the Act renewing them is brought before Parliament to embody in it such alterations of the existing charters as may be thought advisable, your Committee on Bank Charters and Incorporation held a number of meetings in Montreal and Ottawa, and carefully considered the changes necessary in view of the experience gained during the business of the last ten years; and while in every respect the suggestions of the Committee were not approved of and adopted by the Department of Finance, the Committee consider that on the whole the Bill of Amendments as finally passed by Parliament covers the legislation which at present is absolutely necessary; and that no new provisions which would be detrimental to the interests of the Banks or of the community at large, have been introduced.

Instead of introducing an entire new Bank Act, the Government proceeded to continue the charters of the Banks, and provide for the changes which in their opinion were advisable, by amending the Bank Act of 1890, and on this account several small matters which might have been altered had an entire new Act been introduced, were allowed to remain as they were, sooner than open to discussion and amendment, clauses which had proved, on the whole, fairly satisfactory.

No opposition was experienced either in the House of Commons or in the Senate to the passage of any of the clauses of the Bill of Amendments as introduced to Parliament by the Government; and an independent amendment calling for notice by the Banks to original vendors when loans are made upon the security of warehouse receipts, and for the registration of such loans, was unable to obtain sufficient Parliamentary support.

The Act incorporating The Canadian Bankers' Association was also passed at the last session of Parliament. It was carefully prepared by the Solicitors of the Association, who with the members of the Committee were in attendance at Ottawa when the Bill came before the Banking and Commerce Committees of the Senate and of the House of Commons. All the chartered Banks doing business in Canada, with the exception of two, are now members of the Association, and it is provided by the Act of Incorporation, copy of which was published in the July, 1900, number of the JOURNAL of the Association, that all new Banks obtaining incorporation in Canada shall be members of the Association.

Respectfully submitted,

E. S. CLOUSTON, Chairman

REPORT OF THE EDITING COMMITTEE

To the Members and Associates:

Your Committee presents the report for the year completing the seventh volume of the JOURNAL.

At the annual meeting last year the Association placed at our disposal the sum of $1,400. We are pleased to be able to report that the expenditure incurred has been less than that sum.

The revenue from associates for the year was $1,289, and if to this amount (which has always been considered as applicable for JOURNAL purposes) there be added the amount received from advertising contracts and other subscriptions, the JOURNAL has been more than self-supporting.

The Committee, however, suggests that there be again placed at the disposal of the new Committee the sum of $1,400, to provide for the expenditure for the current year.

The column for Questions and Answers has continued to be freely used by Associates, and many questions of practical interest have been submitted.

The Committee again desires to express their high appreciation of the services rendered by Mr. Lash in connection with the legal questions discussed in the "Questions and Answers" department.

The Committee has also to add that the number of names on the mailing list of the JOURNAL continues to increase, although no special effort has been made to effect this result.

Respectfully submitted,

J. H. PLUMMER
J. HENDERSON } Editing Committee
E. HAY

BY-LAWS

The By-laws of the Association, passed by the Executive Council, which appear on a subsequent page, were taken up, read clause by clause, and confirmed.

Mr. Walker alluded in regretful terms to the absence, on account of illness, of Messrs. Farwell and Schofield, and then read the following resolution of condolence on the death of Mr. F. Wolferstan Thomas:

> This Association, now assembled, having learned of the decease of their late esteemed colleague, Mr. F. Wolferstan Thomas, one of the Honorary Presidents of the Association, desire to place on record their sense of the great loss sustained by the Association and by the banking community generally throughout the Dominion, and also by the country at large in his decease.
>
> As President of the Association three years ago his colleagues had the opportunity of noticing his sound judgment and varied knowledge in matters appertaining to banking, while his zealous furtherance of the interests of the Association and banking generally could not fail to draw out a high measure of regard and esteem.
>
> The successful manner in which he administered the affairs of the bank of which he was General Manager is well known to the community at large, and will be an example to the younger men of the profession of what can be accomplished by energy, capacity and perseverance.
>
> His loss is deeply to be deplored, and his memory will long survive as that of a man whom we all highly esteemed. To the widow and the surviving children of our late colleague we present our respectful condolence in their trying bereavement, and order that a copy of this resolution be forwarded to her, and also to the directors of the Molsons Bank.

The resolution was unanimously adopted.

AFTERNOON SESSION

The President delivered his address as published on a subsequent page of the Journal.

Mr. Walker—Mr. Chairman, I am sure that I voice the opinion of every associate here in thanking you personally for your address, not only because of its eloquence, but because of its timeliness. I wish to add a word, if I may, to what you have said on the subject of a mint. It is quite natural that people who have not studied the subject should think that Canada, ambitious as it is to stand among the nations of the world, ought to have a gold coinage of its own. But I think those that take that quick view of it, without looking below the surface, do not reflect that gold coinage at present is chiefly desirable as a means of international settlement, and it would be a natural state of affairs if there were no gold coinage in the world except that of the four or five countries who make the international settlements of the world. Within the last 30 or 40 years it was proposed by an eminent American student of finance that we should come to a system of international gold coinage for the express purpose of international settlements. The desire for a gold coinage is sentimental and not scientific in the case of a nation that has not large international settlements to make. In this country we have made legal tender the British sovereign at a valuation of \$4.86⅔, and the American gold coinage of denominations of \$5 and upwards. That is not an accident; it is a matter of scientific finance. The settlements of Canada are made either in New York City or in London. Our foreign trade is increasing rapidly, we are selling to and importing from all parts of the world, but the settlements are made in London ultimately and often first through New York before we reach London. We have no use for gold as long as our paper currency remains stable, and we have the proud record that from 1816 down to the present time, except for two or three weeks during the Rebellion of 1837, we have always paid gold. Therefore we have it established that we can carry on a currency upon a gold basis with a minimum quantity of gold in stock. We have solved the problem of abrasion and loss, which has staggered one Chancellor of the Exchequer of England after the other, by deciding that we will not pass gold around from hand to hand as a circulating medium. I do not say that England or the United States or other countries can do that, but we can because we are not one of the great international settling nations. The commodity we require to settle with is United States or British gold and nothing could be more foolish than to go to the expense of a coinage which will ultimately be sent out of the country and melted back into bullion, when we have the knowledge that this country must bear the expense of both processes. The advocates of a mint did not at first see that they must advocate a branch of the British mint. The output of the Yukon for a year, if coined, would furnish more gold than we could use at home. At the end of a year the Government would not, therefore, be able to buy more gold for coinage into dollars. Therefore it is advocated that we should have a branch of the Royal mint as they have in Australia. But it is forgotten that in Australia the standard is the sovereign, and when Australia coins the British sovereign it coins a currency for its own use. Australia has to the extent of 60 or 70 per cent. a gold coinage, and is suffering largely from abrasion, as England has, and has made indeed a financial blunder. One might be moved a little by the idea of making a coin that was Canadian, that one could carry as a souvenir at all events, but to make the sovereign I think would be a very foolish thing for us to do. Then if we decide to have a mint we cannot make any coins unless we pay more for the gold than it is worth at every other point except Seattle. We must practically pay what they pay in Seattle. I do not think we would get it then, because the traffic from all that northern country is to Seattle. The Seattle price is more than what the gold is worth at all the other great minting centres of the world. The proof of that is that the gold from the Yukon is sold at Seattle, and it is sold there because it is cheaper to land and sell it there than to pay the freight to eastern points. If the Canadian Government wants to subsidize mining by paying more for gold than it is worth, of course it can do that, but the bankers would lose unless, as I think they probably would be shrewd enough to do, they made the merchants pay for minting that gold. Either the banks or the merchants would suffer, but in the last analysis it would probably be found that we had been able to arrange it so that the loss did not fall upon us.

As to the President's other remarks about the growing trade of this country, I am very glad indeed that once more the President of this Association has got before the country in such a convenient shape a specific statement of how well Canada is doing in a commercial and financial way. I have the honour to move a vote of thanks to the chairman on this occasion.

MR. WALKER's motion was seconded by MR. THORNE and carried with applause.

ELECTION OF OFFICERS

On motion of MR. HAGUE, seconded by MR. MCDOUGALL, the President was requested to cast one ballot for the election of officers for the ensuing year. The list of officers elected appears on the usual page of the JOURNAL.

NEXT ANNUAL MEETING

MR. BURN invited the Association to hold its next annual meeting at Ottawa.

MR. THORNE said that he would be pleased to see the Association in Halifax. MR. WALKER thought then it might be necessary to meet in Vancouver.

The PRESIDENT stated that the consensus of the meeting seemed to be that the annual meetings should be held in Toronto and Montreal. The next meeting will therefore be held in Montreal.

AMERICAN BANKERS' ASSOCIATION

MR. JAMES R. BRANCH, Secretary of the American Bankers Association, then read the following paper on "The American Bankers' Association and the workings of their Protective System."

Mr. President, and Gentlemen of The Canadian Bankers' Association :—

I have been requested to give some details of The American Bankers' Association by your President, and Mr. Hague, who was with us at our recent 26th annual convention held in Richmond, Virginia.

Our first convention was held in Saratoga, N.Y., in 1875, with the object of forming an association of Banks and Bankers to solve the problem of the resumption of specie payments by the United States. History records that the efforts in this direction were successful. A permanent Association was formed in 1876, which has in a broad, liberal-minded way, always endeavoured to advance the welfare and prosperity of the country at large. No financial legislation of importance has been adopted by our government before it has been ably and well discussed at our annual gatherings. Our conventions are more largely attended each year, and our members fully realize the benefits received by closer intercourse and keeping in touch with their brother bankers.

Among the features of importance adopted by the Association are the establishment of institutes to disseminate information and to educate the bank clerk, and our Protective Committee, which has become such a menace to the criminal fraternity that our members are carefully avoided; attacks by this class being now confined almost entirely to banks outside of our organization. Our first operations in this direction were too crude to be effective. In 1888 the Secretary of the Association reported that his efforts to communicate with the police authorities of the country, in order to procure early information regarding the operations of bank robbers and forgers, had not been successful. At our convention of 1890, Mr. Van Allen, of Albany, N.Y., proposed a plan to arrest and prosecute the depredators who robbed or defrauded our members. An appropriation of five thousand dollars was made for this purpose, and in 1891 a resolution was passed appropriating twenty-five hundred dollars for the use of a standing protective committee, and a plan of operation was adopted. No great amount of attention was, however, paid to this work until 1894, when the Chairman of the Executive Council, the late and lamented Eugene H. Pullen, suggested earnestly that the work of the Protective Committee should be greatly extended and given more attention. Five thousand dollars were then appropriated, and this proved to be the beginning of the remarkable series of triumphs for the safety of the banks with which you are probably familiar. Our principal weapon lies in the fear formed by this Association in the minds of professional criminals. They are well aware that no matter what the expense may be, or how long it takes to track, convict and prosecute them, the agents of our Association will hang on their trail like Nemesis, until they are placed behind prison bars, and then when that sentence is served other indictments will be in readiness should we be able to discover their complicity in any previous crime. With this sword of Damocles hanging over them, is it surprising that they select for attack a bank which has no organized method of defence? Besides, where the robbery is small, non-member banks frequently refrain from reporting depredations to the police, believing as they do that their efforts to capture the criminals will be more expensive than the amount of the loss; while with our members the Association bears the expense and receives the benefit of the information which frequently leads to the detection of the perpetrators of a previous crime. It is expected of our members that each one will co-operate with the Committee and promptly report every offence coming under their notice, as well as by using reasonable diligence and assisting in the arrest and conviction of the criminal. Our Association does not take cognizance of petty larcenies, thefts of employees, amateur forgeries, or frauds committed by others than what may be termed professional operators. Our efforts have been so successful with the latter class, that we can now say with pride, that no organized band of professional bank criminals is operating to-day in the United States of America.

We have since 1895 arrested 237 criminals. We have prosecuted 211 and convicted 204, the other seven having escaped or died while trials were pending.

The sum total of the convictions obtained by our Association amounts to 1,126.

Notwithstanding the fact that our rolls embrace a membership of forty-six hundred banks and bankers, only one has been burglarized since 1895 when displaying the metal sign indicating membership.

The sum total in loss from burglars, robbers, hold-ups and sneak thieves to our entire membership since 1894 amounts only to $52,707.00, while the reported loss to non-member banks (without taking into consideration the many losses not reported to the police) amounts to $609,534.00.

The American Bankers' Association is represented in every state and territory in our great, re-united country. At our conventions our members from the east and west are in thorough accord, while the men who "wore the blue" are to-day the brothers of those who "wore the grey."

The recent overwhelming victory of sound money and financial integrity is an index finger which points to an overwhelming tidal wave of prosperity such as our country has never seen before. This prosperity will not be limited to the United States, but its far-reaching, munificent influence will be felt over the entire world. Within the confines of our country all sections are now welded into one integral part, and no living man can prophesy the acme of our country's destiny. As the United States of America has made such rapid strides towards the head of the family of nations; made loans to England, Russia, Germany, Sweden and Mexico within the last few months; and is a country whose 2% bonds are selling at 105, which is the highest credit any nation has ever known; are we therefore too sanguine in believing that such a country will eventually be recognized as the Clearing House of the world?

All nations have noted that increasing fraternal affection which is cementing closer and closer the two great Anglo-Saxon peoples of the eastern and western hemispheres. England has never been more closely allied to her Canadian colony than she is to-day, for Englishmen and Canadians have recently shed their blood on the same ground in Africa, and England is justly proud of her Canadian sons. But should the time ever come when the commercial and financial interests and brotherly love existing between our country and your great Dominion of Canada be so dove-tailed and inseparably interlocked that England, from whose prolific womb so many colonies have sprung, and the United States of America and Canada in their far-seeing wisdom and in the most amicable way mutually agree to unite into one big family of brothers those born under the Stars and Stripes and those born in Canada under the Union Jack—then, and not till then, will all those who dwell in the territory bounded by the Arctic Ocean, the Gulf of Mexico, the Atlantic, and that great highway to the Orient—the Pacific Ocean, acknowledge one constitution, fight shoulder to shoulder if necessary, in defence of one common country, or as the ally of Great Britain, stand erect with bared heads to the soul-stirring music of one grand air, now known in our country as "America," and in yours as "God Save the Queen," singing with voices and hearts in perfect unison "My Country 'tis of thee, sweet land of liberty; of thee I sing."

Mr. Hague—I heard a good deal about the protective system of the American Association when I was down in Richmond, and I hope we shall take up, as a matter of business, this Protective System, for I am convinced that at a very small cost we could secure almost absolute immunity from many of the burglaries and losses that have troubled us during the last 8 or 10 years. I very strongly commend to the incoming Executive Council to devise some plan of being included in the American System, because I think it would be necessary to be included in that sphere of operations on account of the fact that criminals pass backwards and forwards constantly between the two countries.

It is very kind indeed of Mr. Branch to spread out the fatherly idea of embracing this country within the borders of the United States. It is a thing we hear of now and then. We are a little conceited, but we do think we can stand upon our own feet. We are certainly standing pretty solidly just now, as anyone may know who has heard our President's admirable report. With regard to Great Britain and the United States coming to a resolution that we shall become part of the Great Anglo-Saxon Confederation of North America, why, we would have something to say about that ourselves. (Applause.) What we might say I do not know, but certainly we would not be left out of the account. We know perfectly well that our interests and those of the United States are very closely interwoven; that they cannot prosper without our sharing in that prosperity, and in some degree I suppose our prosperity helps them, that is, many of the branches of our trade are such as bring business to the United States. Then we import our raw material for our cotton industries and some others. So that there is a great deal of intercommunication between us and there will be more, and the more the better. At the same time, Great Britain is our best market for nearly all our exports, just as it is for those of the United States. England is our best customer, and would be so in any case. But in regard to political affiliation we have a better system of appointing our judiciary, and in some other respects we think we are better off as we are than we would be by joining that great Confederation. We are on terms of the highest possible friendship with them, and hope to continue so to the end of time, but amalgamation does not look so attractive to us as growth and expansion within our own borders. (Loud applause.) Mr. Branch has given us some very interesting information that we ought to make use of, and I propose that the thanks of the Association be heartily and cordially tendered to Mr. Branch for coming and reading to us such an interesting paper.

Seconded by MR. BURN and carried with loud applause.

MR. BRANCH—Gentlemen, I thank you very heartily for your warm reception, and with reference to the remarks made by Mr. Hague, there is no telling what time may disclose; it may be that later on Canada will be glad to annex the United States. (Laughter and applause.)

MR. BURN—I should like to ask Mr. Branch whether in his experience with burglaries electricity has played any part?

MR. BRANCH—No sir, we have examined that feature very carefully, and we find that practically no burglar can get the use of a sufficient current of electricity to get into a safe. He could not carry it around with him. It takes an enormous amount, and he could only tap some strong source of the current, which would be very apt to be detected as soon as he tapped it.

MR. BURN—My attention was attracted to the subject quite recently by seeing a report of an experiment made in Portland, Maine, I think it was. The wire of the street railway was tapped and a hole bored in a safe.

MR. BRANCH—If cars were in operation, and if the wire of the street railway were tapped and a sufficient quantity of current taken to melt chilled iron or steel, the effect on the cars would be noticed at once.

It was moved by MR. GIBBS, seconded by MR. HODGINS, that the thanks of the Association be presented to the President, the Vice-Presidents and other members of the Executive Council; and to the Editing Committee of the Association, to the Special Prize Essay Committee and to the Auditors for their services during the past year. Carried.

It was moved by Mr. Henderson, seconded by Mr. Crispo, that a cordial vote of thanks be tendered to the Premier of Ontario and the Members of the Council for the use of the room and services of the employes of the building, placed at the disposal of the Association. Carried.

The roll was called by the Secretary.

The meeting then adjourned.

ADDRESS OF THE PRESIDENT OF THE CANADIAN BANKERS' ASSOCIATION

DELIVERED AT THE NINTH ANNUAL MEETING OF THE ASSOCIATION

IT is not my purpose, in addressing some observations to you on events of the past year which concern us as bankers, to travel far afield, or to embrace a wide range of topics, but rather to glance briefly at two or three subjects to which I desire more especially to direct your attention.

Four years ago your then President, in reviewing the commercial situation in Canada, stated that the year had been one of much anxiety to bankers as well as to business men generally, and that the most conspicuous feature of the commercial and industrial world at that time was undoubtedly the unprecedentedly low level of general prices with what are supposed to be its concomitant results—small profits, increasing failures, lethargic enterprise and depressed trade. How different the picture which greets the eye as one surveys the commercial field to-day! Capital is now profitably employed; labor is well nigh at a premium; industrial activity overspreads the land; business failures have diminished; prices of commodities have attained a higher level; the productive capacity of the country has increased and the earnings of the banks have been quite satisfactory. Nor has Canada alone enjoyed the blessing of a prosperous era. Europe and the United States have also experienced a marked recovery from the depression in trade which lay upon them four or five years ago, and we have seen something perhaps as near akin to world-wide prosperity as we can hope to witness. There have been, of course, the ups and downs, strikes of labour, dislocating temporarily one industry and another, the wars in South Africa and in China throwing their shadow on the money markets and affecting prices of securities, but as a whole for more than three years, trade in Canada as in Great Britain and the United States, has been distinctly good.

Let me cite a few examples of our progression. A little more than eight years ago, namely, on May 19th, 1892, the first annual meeting of The Canadian Bankers' Association was held. At that time the paid-up capital of banks in Canada was $61,541,650; it is now $65,784,770; while in the same period the "Rest Account," composed mainly of surplus earnings, has risen from $24,025,300 to $33,769,300, or by upwards of 40 per cent. Take the note circulation, the most accurate gauge we have of the activity of the daily business of the country. In April of 1892 it amounted to $31,496,300; it is now $50,387,000, a gain of about 60 per cent., due in part, doubtless, to higher prices of commodities, but mainly attributable to the expansion of trade. Deposits by the public in the banks have gone up in the period from $155,178,000 to $284,973,500, an increase of no less than 80 per cent., and a conclusive evidence of the thrift and profitable employment of our population. Turning to the other side of the account we find that the banks have to-day employed in current loans upon commercial paper $272,020,000, or $80,025,000 more than eight years ago, showing that they have been contributory to and participators in the commercial and industrial development which has taken place. It may be added that the percentage of cash reserves of the banks to their liabilities is slightly higher now than then.

Our foreign commerce has grown immensely in point of value under the stimulus of revived trade in Great Britain and Canada. In four years, that is to say, from 1896 to 1900, the value of imports has risen from $118,011,500 to $189,728,400, and of exports from $121,013,800 to $191,897,400, representing an increment in the aggregate value of the foreign trade of Canada of $142,600,500, certainly a very remarkable expansion. Another barometer we may consult is the business failures list, and here again the hand points to fair weather. In 1896 the liabilities of traders who failed in the Dominion was upwards of $16,200,000; last year they were $11,077,000, and in the first nine months of this year $7,441,000, or $1,144,000 less than in the corresponding period of 1899. I might multiply these instances of improved and enlarged trade from many sources—from the Railway returns, the Post Office returns, Clearing House statistics, the Insurance statistics and other landmarks of commerce, but the figures are familiar to you. One other only will I cite, the increase in the value of farm property in the Province of Ontario, which was returned four years ago as being $910,291,600, and is now placed at $947,513,300.

Turning to the domestic industries of Canada, one is struck by its sudden advent into the list of gold-producing countries, our output of this metal having increased in value from $2,780,000 in 1896 to $21,050,000 in 1899, while in the year now drawing to a close it is expected to reach close upon $30,000,000. It is probably true that up to the present time there has been little net profit in mining for precious metals in the Dominion since the discovery of gold in the Yukon and the flow of capital to British Columbia, that is to say, the losses have equaled, if they have not exceeded, the gains. Gold mining will always be more or less of a gamble, and the hopes excited among our people of sudden acquisition of wealth in the pursuit of gold have in very many cases been sorely disappointed, entailing serious losses on people of all classes. But our experience in this respect has not been singular. The history of all countries is studded with examples of speculation run mad, of avarice over-reaching itself; but when all is said, and despite much loss of confidence, as well as money, the fact remains that the mining industry is thriving in many parts of British Columbia and the Yukon, and that the output of precious metals in those portions of Canada bids fair to be of steady progression and to make an important contribution to the national wealth.

During the last session of Parliament the decennial revision of the Bank Act, and the renewal of the Bank charters was made. The amendments to the Act are of a less important and radical character than were introduced on previous similar occasions, consisting principally of the extension of the loaning powers of banks, with a view to facilitating the business of the country; and this fact may be interpreted as a tribute alike to the excellence of the banking system, and to the manner in which it has been administered. One amendment, however, calls for more than a passing glance, namely, that which confers upon the Bankers' Association a control and responsibility over the note circulation of the banks, and invests in it the supervision of the affairs of any institution which may suspend payment. Whatever may be thought of the legislation of 1890, by which each bank is made responsible for the security and redemption of the notes of all other banks, it is obviously a logical sequence of that legislation to invest some power of supervision in the Bankers' Association over the note circulation of the banks, as well as control of any one that may become embarrassed. Formerly responsibility was imposed without power of supervision, while now, in a measure at least, the two are conjoined. Since the legislation of 1890, making each bank responsible to the extent of its means for the circulating notes of all other banks in the last resort, two failures of these institutions have occurred in Canada, and in each instance the notes of the insolvent banks have been fully redeemed without imposing the charge of a single dollar, either on the Redemption Fund held by the Government, or on the banks, a fairly conclusive evidence of the absolute safety of our paper currency. The failure of the Banque Ville Marie last year afforded a good practical illustration of the utility of the legislation to which I have referred, since the value of its notes was not in any degree depreciated by the suspension of payments, nor did any note holder suffer the loss of a single cent unless through his own timidity and the sacrifice of his security. The collapse of that institution—at no time a strong one—has really cleared the air, has vindicated the admirable character of our currency system, and in its consequences to those found responsible for the mismanagement has served to convince the public that the penalties prescribed in the Bank Act are not a mere *brutem fulmen* to men in high places.

By the Act of Incorporation obtained by our Association, the institution is made not only permanent, but is constituted an agent of the Government in the administration of the Bank Act. At this present session it is intended to ask your confirmation of the by-laws of the Association; to one of which only would I now refer. Under the important powers with which we are clothed, it is proposed to provide that a monthly return shall be made to the President of the Association by all banks doing business in Canada, whether members of the Association or not, which return shall exhibit the condition of the bank's note circulation on the last day of the month next preceding, and be signed by the Chief Accountant, or by the President, Vice-President, or any Director of the bank, and by General Manager, Cashier or other principal officer. This return is also to show the notes destroyed during the month, and be accompanied by a certificate of such notes having been destroyed, signed by at least three of the directors of the Bank, stating that the notes have been destroyed in their presence. A return is also required of the notes received from the printer. A penalty of $50 per day is to be imposed for each day's neglect to furnish within the prescribed time this return of note circulation and of notes destroyed. As an additional safeguard, the Association is given power under the by-law at any time to direct that an inspection shall be made of the circulation accounts of any bank.

Another by-law made in pursuance of the Amending Bank Act of 1900, and the powers conferred upon the Bankers' Association, provides that whenever any bank suspends payment a curator shall be appointed to supervise the affairs of such bank, of which the Bank Act gives him full charge and control. The Association will have direct and ample supervision over the curator, and the President of the Association is to appoint a local Advisory Board from its members, with whom the curator is to advise from time to time. In this manner, as I have remarked, the Bankers' Association will become an important adjunct of the Finance Department in administering the Bank Act, as well as a means of protection to the general public, who are creditors of the banks, the whole trend of the legislation being to buttress and strengthen the banking and currency system of the country. The suggestion sometimes heard that a Government inspection of banks should be instituted, Parliament has wisely not entertained. The distinction between the voluntary and the involuntary creditor of a bank is well defined in the persons of the note holder and the depositor. The one perforce must accept the note tendered him, while the other selects of free will the depository and custodian of his means. The involuntary creditor the State protects by surrounding the instrument of credit with such strong safeguards that it is almost inconceivable they can fail him, and that done, its whole duty is discharged. Governmental bank inspection has always proved abortive of its purpose. Such laws, in the language of Swift, are like cobwebs, which may catch small flies, but let wasps and hornets break through, and no better illustration of the futility of Government bank inspection, as a prevention of fraud and crime, can be found than is afforded by the history of banking in the United States down to the most recent case of Alvord.

The announcement recently made by the Minister of Finance that the Dominion Government has concluded negotiations with the British Government for the establishment in Canada of a branch of the Royal Mint is, in my judgment a matter of large consequence to the banking interests of this country. An agitation for a mint has been afoot in British Columbia for two or three years past, stirred up by the increasing output of gold in the Yukon. Until now it cannot be said to have attracted any wide measure of popular support, or to have produced that strong political pressure beneath which the convictions of Government are said at times to bend. I fear that the decision to erect a mint in Canada has been reached without adequate consideration of the currency needs and conditions of the country, or of the consequences that may flow from the act. The earth has bubbles as the water has, and this is one of them. The popular fallacy underlying the demand for a mint is, that gold bullion in Canada now requires to be exported in order to give it a value as a coined metal which it does not possess as a raw material. To an audience of bankers the fallacy needs no exposition ; but in the hope that my words may be conveyed beyond this room let me briefly glance at some of the *pros* and *cons* of the question. The coinage of gold in Canada implies a gold currency. Are we prepared to revise and reverse our existing system ? A distinguished American statesman has said, "He who tampers with the currency robs labour of its bread." Our currency system is unique. It has stood the test of time, the strain of adversity, the temptations of prosperity. Stable, safe, elastic and convenient, it adapts itself most admirably to the commercial requirements of our people, to the ebb and flow of trade, not only in recurring cycles of expansion and contraction, but in the changes of each passing year. Founded at its inception upon sound financial and banking principles, it has been strengthened from time to time by the introduction of safeguards suggested by practical experience, until it has become about as perfect a system of currency as the wit of man can devise. It is better than a gold currency, because with equal safety and stability there is conjoined greater convenience. But, it may be said, the coinage of gold in Canada can surely be carried on without disturbing the existing currency system. What harm, at the worst, can come from minting here our gold bullion, even if no distinct benefit is derived? Is not the sentimental advantage of possessing a gold coinage of our own worth something? To all of which I reply: A disturbance of our present system is inevitable from the free coinage of gold, for this reason, if for no other: The Bank Act requires the banks at all times to hold not less than forty per cent. of their cash reserves in Dominion notes, under a penalty of $500 for each and every violation of this provision. That enactment absolutely limits the amount of gold which the banks can hold to some sixty per cent. of their cash reserves, the balance being required to be in Dominion notes. Now, inasmuch as the volume of currency outstanding will always be regulated by the requirements of trade, it follows, as surely as that water will find its level, that all the gold coin injected into circulation will either quickly return to the banks, or displace a like amount of paper currency. In the latter event, the character of the circulating medium is wholly altered, while in the former contingency the banks are between the Scylla of refusing to accept the gold and the Charybdis of incurring the penalties provided by the Bank Act, if they add the coin to their cash. Banks may, however, take all the gold coin offered them and export it as other commodities are exported, a recourse to which inevitably they will be driven sooner or later, according to the measure of time and the extent of the coinage. What then? The exchange value of the gold may be, very often is, less than its face or legal tender value, and so the banker will be compelled to submit to a loss in the operation or to demonetize the gold currency.

I cannot but think that those who have urged the minting of gold in Canada have fallen into the error of assuming that the process enhances the value of the metal, and in some subtle, mysterious way determines the channels of trade. The coinage of silver admittedly is a profitable transaction since the face value of the coin is nearly double that of its bullion value, and this process of giving a fictitious value to the metal can advantageously enough be conducted up to the limit of the needs of the commerce of the country for subsidiary coinage, or as we phrase it, small change. The Dominion Government reaps a profit, one year with another, of about $70,000 annually from the coinage of silver and copper. On the other hand, the coinage of gold not only yields no profit, but entails an actual loss. The mints in Australia are conducted at a loss. Referring to the mint established at Perth, Western Australia, in 1896, the chief official of the British mint recently remarked: "It is not evident how far the colony is the better for the establishment of a mint at Perth, or that it has gained anything by its large outlay on buildings, machinery and maintenance, which it could not equally have gained at a smaller cost by the establishment of a local refinery under Government supervision."

Now, the banks are prepared to pay the miner as much for his bullion as he can realize by shipping the metal to an American mint, or by converting it into coin in this country. Gold is not a commodity which enhances in value by the process of minting, as cotton, timber and wheat are increased in value when manufactured into fabrics, furniture and flour. The bullion and the coinage value of gold stand practically on a par, and for purposes of international exchange the metal is about as valuable in one form as the other. Our best security lies in not sowing the seed the harvest whereof we know not.

I make no apology for having somewhat lengthily dwelt upon this subject. In my opinion there is no question of the moment which more vitally concerns, not merely our own business as bankers, and the interests of the great body of shareholders whose trustees we, in a sense, are, but the very basis of our banking and currency system, and through these the commerce of our country, The establishment of an Assay office in British Columbia is not, perhaps, open to the objections I have urged against a mint, but I deem it my duty to record my conviction that the coinage of gold in Canada in our present circumstances, is undesirable because (1) the very basis of the banking and currency system is thereby disturbed; (2) the coin *will not circulate*, and neither demand nor occasion for it exists; (3) it cannot be retained by the banks, and must either be exported at a loss or demonetized; (4) it involves a loss to the Government; (5) it tends to displace and disorganize a currency system safe, stable and peculiarly adapted to the needs of our commerce; and (6) it opens the door to that incalculable mischief, the free coinage of silver.

Evidences of the solid substantial growth of Canada in all that tends to make a country prosperous, are to be found in abundance either by observation of our present condition, or by contrasting it with the past, whether it be a near or a remote one. Complaint, it is true, is sometimes voiced that our population increases at a snails pace, and comparison in this respect is drawn with the United States, to the disparagement of the Dominion. I would remind you that there are two sides to this question. Mere numbers in themselves do not necessarily constitute a great and prosperous country. If they did then China would stand in the van of nations, instead of in the rear. A small community may be free, prosperous and happy, to wit, Switzerland, even though we moderns term it slow, unprogressive, unambitious, old fogeyish. Our six millions of Canadians have probably as high an average of comfort as any people in the world; if we have fewer millionaires yet have we fewer paupers than European countries, and in point of personal liberty, of freedom, of government, of stable institutions, in opportunities for life, liberty and the pursuit of happiness, we need envy no one. An augmentation of population is desirable in so far as the national strength is thereby increased, but it is a moot problem if in other respects a large population is necessarily an added blessing, and certain it is that growth of numbers without homogeneity, assimilation and unity of national sentiment, is a distinct weakness to a state. Our national security is derived not from strength within so much as strength without; from our position as a member, and no humble one, of the great Empire of Britain. That security it is no vain boast, I believe, to make, has been rendered yet greater by the events of the past year, and especially by the splendid and moving spectacle of Britain's sons from the four corners of the Empire, fighting shoulder to shoulder in South Africa in the cause of freedom and a United Empire. Looking at the attitude of England's first and chiefest colony towards her a century and more ago, and that of her colonies to-day, how aptly the words of Shakespeare fit the situation :

> " This England never did, nor never shall,
> " Lie at the proud foot of a conqueror,
> " But when it first did help to wound itself.
> " Now these her princes are come home again,
> " Come the three corners of the world in arms,
> " And we shall shock them ; naught shall make us rue,
> " If England to itself do rest but true. "

BY-LAWS OF THE CANADIAN BANKERS' ASSOCIATION

A CORPORATION CREATED BY SPECIAL ACT OF THE PARLIAMENT OF CANADA, 63 AND 64 VICT., C. 93 (1900.)

(Adopted by the Association, subject to approval by the Governor-in-Council)

The following By-Laws are hereby enacted as By-Laws of the Canadian Bankers' Association:—

1. The annual general meetings of the Association shall be held on the second Thursday of the month of November in each year, at such hour and place as may be decided upon by the Executive Council of the Association from time to time. Special general meetings of the Association may be called at any time by the said Executive Council, and shall be called by the President or Secretary-Treasurer on the written requisition of at least five members of the Association.

The requisition (if any) for, and the notice calling any special general meeting shall specify therein the general nature of the business to be considered or transacted thereat. Special general meetings shall be held at such time, hour and place as shall be mentioned in the notice calling the same. Thirty days' notice shall be given of every general meeting of the Association whether annual or special. At any annual or special general meeting of the Association seven persons, duly representing members of the Association, shall form a quorum.

At any annual general meeting of the Association any business may be transacted thereat.

At any special general meeting of the Association only such business shall be transacted as is mentioned in the notice calling such special general meeting.

2. At every annual general meeting, the members of the Association, through their representatives or proxies, shall elect from among the chief executive officers (as defined by Charter

of Incorporation) of members of the Association, a President, four Vice-Presidents, and fourteen Councillors, all of whom shall hold office until the next annual general meeting, or until their successors are appointed, and may also elect Honorary Presidents of the Association, not exceeding three in number, who shall also hold office until the next annual general meeting after their election.

3. The Executive Council of the Association shall consist of the President and Vice-Presidents, and the said fourteen councillors aforesaid, and five shall form a quorum for the transaction of business.

The Honorary Presidents shall also have seats at the Executive Council, but shall have no vote thereat.

4. At all meetings of the Association each member shall have one vote upon each matter submitted for vote. The chairman shall, in addition to any vote he may have as chief executive officer or proxy, have a casting vote in case of a tie.

Each associate shall also have one vote on all subjects except the following, on which members only shall be permitted to vote :—

1. Election of officers.
2. Action relating to proposed legislation.
3. By-laws.
4. Adding to, or amending the Charter.
5. All other subjects on which general action by the banks is contemplated.

5. The Executive Council may meet together for the despatch of business, adjourn and otherwise regulate its meetings, as it by resolution or otherwise may determine from time to time.

The Secretary-Treasurer shall at any time at the request of the President or any Vice-President or any other member of the Executive Council convene a meeting of the council. Provided however that no business shall be transacted at a meeting called at the request of a member unless the notice calling the meeting specifies in some general terms that such business will be transacted thereat, but this provision shall not apply to any meeting called at the request of the President or any Vice-President.

On all questions arising at any meeting of the Executive Council each member shall have one vote in addition to any vote he may have as proxy, and the chairman shall have in addition a casting vote.

6. At all meetings of the Association and of the Executive Council, the President, when present, shall be chairman, and in his absence one of the Vice-Presidents chosen by the members of the Council then present; and in the absence of the President and Vice-Presidents, the members of the Council then present may choose some one of their number to be chairman of such meeting.

7. Any member, not represented at a meeting of the Association by one of the officers named in Section 8 of the Charter of Incorporation, may vote by proxy, provided such proxy is held by an associate who is an assistant general manager, or assistant cashier, inspector or manager of any bank, or any branch thereof.

Any member of the Executive Council, when not present at any meeting thereof, may be represented thereat by proxy, provided such proxy is held by such an associate as is before mentioned in this by-law. Proxies shall be in writing.

8. The Executive Council may from time to time repeal, amend or add to any of the By-laws of the Association, except those relating to dues, to the clearing house, to the curator and his duties, and to the circulation, but every such repeal, amendment or addition shall only have force until the next annual general meeting of the Association, and if not confirmed thereat shall thereupon cease to have force.

9. The said Executive Council shall have power from time to time to appoint a Secretary-Treasurer, who shall be an officer or ex-officer of a bank, and to remove him from office, and to fix his remuneration and the terms of his engagement.

The Executive Council shall also have power from time to time to appoint a Solicitor or Solicitors and to fix their remuneration for either general or special services, and also to engage counsel where such services may be needed.

10. Existing sub-sections of the Voluntary Association are hereby continued as, and constituted, sub-sections of the Asso-

ciation as incorporated. Sub-sections hereby or hereinafter constituted may pass by-laws for their guidance, subject always to the provisions of the Charter of Incorporation, and the By-laws of the Association.

The Bankers' Section of the Boards of Trade in the cities of Montreal and Toronto respectively, shall be empowered respectively to represent the Association in all matters connected with legislation in the Legislatures of Quebec and Ontario, respectively—it being understood that the respective sections will, as fully as possible, keep the President and the Executive Council of the Association advised on all points that may arise in connection with the matters referred to, and will not make representations in the name of the Association contrary to the views of the Executive Council after such views have been expressed.

11. An Editing Committee appointed by the Association shall supervise the publication of the "Journal of the Canadian Bankers' Association," and the Executive Council shall appoint such other officers as it may deem necessary; and shall also make such provisions and arrangements from time to time as it deems proper, for lectures, discussions, competitive papers, and examinations.

12. The dues or subscriptions payable to the Association by the members thereof shall be as follows :—

For banks with a paid-up capital stock of under $1,000,000............	$100
For banks with a paid-up capital stock of $1,000,000 and under $2,000,000.	200
For banks with a paid-up capital stock of $2,000,000 and under $3,000,000.	300
For banks with a paid-up capital stock of $3,000,000 and over..........	400

The dues or subscriptions payable to the Association by the Associates thereof shall be one dollar annually. Members' and Associates' subscriptions shall be payable on or before the 1st February and 1st July respectively in each year.

CIRCULATION

13. (*a*) A monthly return shall be made to the President of the Canadian Bankers' Association by all banks doing business in Canada, whether members of the Canadian Bankers' Association or not, in the form hereinafter set forth ; said return shall

be made up and sent in within the first fifteen days of each month, and shall exhibit the condition of the bank's note circulation on the last juridical day of the month next preceding; and every such monthly return shall be signed by the Chief Accountant or acting Chief Accountant and by the President or Vice-President, or by any Director of the Bank, and by the General Manager, Cashier, or other Chief Executive Officer of the Bank at its chief place of business. Every such monthly return which shows therein notes destroyed during such month, shall be accompanied by a certificate or certificates in the form hereinafter set forth, covering all the notes mentioned as destroyed in such return, signed by at least three of the Directors of the Bank, and by the Chief Executive Officer or some officer of the Bank acting for him, stating that the notes mentioned in such certificate or certificates have been destroyed in the presence of and under the supervision of the persons respectively signing such certificate or certificate respectively.

FORM OF MONTHLY RETURN OF CIRCULATION ABOVE MENTIONED

CIRCULATION STATEMENT OF THE

(Here state name of bank)

for the month of............................190..

Credit Balance of Bank Note Accounts on last day of preceding month (inclusive of unsigned notes)........................$

Add notes received from printers during month, viz.:

From......................$
"   ....$ $

$

Less notes destroyed during month (as per certificate herewith)...$

Balance of Bank Note Accounts on last day of month............$

Less notes on hand, viz.:

Signed............................$
Unsigned..........................$ $

Notes in circulation on last day of month........... ....$

....

Chief Accountant

We declare that the foregoing return, to the best of our knowledge and belief, is correct, and shows truly and clearly the state and position of the Note Circulation of said Bank during and on the last day of the period covered by such retnrn.

......................this.............day of .... 19..

....
President

....
General Manager

FORM OF CERTIFICATE OF DESTRUCTION OF NOTES ABOVE MENTIONED

Certificate of Destruction of Notes of the (here mention name of bank) accompanying monthly Circulation Statement for month of .... A.D., 190..

We, the undersigned, hereby certify that we have examined bank notes of this Bank amounting to $.............consisting of the following, viz.: (here set out the denominations) and have burned and destroyed the same, and that the said notes so burned and destroyed by us are not included in any other Certificate of Destruction of Notes signed by us or any of us, or to the best of our knowledge and belief, by any other person.

.................this.............day of....................... 19..

....
.... Directors of said Bank
....

....
General Manager

(*b*) For all purposes of this By-law, the chief place of business of the Bank of British North America shall be the chief office of the said Bank at the city of Montreal, in the Province of Quebec.

And in the case of the said Bank of British North America the said monthly circulation return shall be signed by the General Manager's clerk, or acting General Manager's clerk, and by the General Manager or the acting General Manager of the said Bank; and the said Certificate of Destruction of Notes shall be signed by the General Manager or acting General

Manager, the Inspector or Assistant Inspector, and the Local Manager of the Montreal branch, or the acting Local Manager of the Montreal branch of the said Bank, instead of by the persons respectively hereinbefore directed to sign the said returns respectively.

(*c*) Every bank which neglects to make up and send in as aforesaid any monthly return required by this by-law within the time by this by-law limited, shall incur a penalty of fifty dollars for each and every day after the expiration of such time during which the bank neglects so to make up and send in such return; and the date upon which it appears by the post office stamp or mark upon the envelope or wrapper enclosing any such return for transmission to the President of the Canadian Bankers' Association that the same was deposited in the post office shall be taken *prima facie* for the purposes of this by-law, to be the date upon which such return was made up and sent in.

(*d*) The Executive Council of the Association shall have power, by resolution, at any time, to direct that an inspection shall be made of the Circulation Accounts of any Bank by an officer or officers to be named in such resolution, and such inspection shall be made accordingly.

(*e*) Some person or persons appointed by the Executive Council of the Association shall during the year 1901 make inspection of the Circulation Accounts of every bank doing business in Canada, whether members of the Association or not, from the year 1890 to 1900, both inclusive, and shall report thereon to the Council, and shall thereafter inspect the Circulation Accounts of each bank during each year; and upon every inspection for the past or future all and every the officers of the Bank whose Circulation Account is so inspected shall give and afford to the officer or officers making the inspection, all such information and assistance as he or they may require to enable him or them fully to inspect said Circulation Account, and to report to the Council upon the same, and upon the means adopted for the destruction of notes.

(*f*) The amount of all penalties imposed upon a bank for any violation of this by-law shall be recoverable and enforceable with costs, at the suit of the Canadian Bankers' Association, and such penalties shall belong to the Canadian Bankers' Association for the uses of the Association.

(*g*) The President of the Canadian Bankers' Association shall each month have printed and forwarded to each member of the Executive Council of the said association a statement of the circulation returns of all the banks in Canada for the last preceding month, as received by him.

(*h*) In this by-law it is declared for greater certainty that the Canadian Bankers' Association herein mentioned and referred to is the Association incorporated by special Act of Parliament of Canada, 63 and 64 Vict., C. 93.

CURATOR

14. Whenever any bank suspends payment, a Curator, as mentioned in sec. 24 of the Bank Act Amendment Act, 1900, shall be appointed to supervise the affairs of such bank. Such appointment shall be made in writing by the President of the Association or by the person who, during a vacancy in the office of, or in the absence of, the President, may be acting as President of the Association.

If a Curator so appointed dies, or resigns, another Curator may be appointed in his stead in the manner aforesaid.

The Executive Council may, by resolution, at any time remove a Curator from office and appoint another person Curator in his stead.

A Curator so appointed shall have all the powers and subject to the provisions of By-Law No. 15, shall perform all the duties imposed upon the Curator by the said Bank Act Amendment Act; he shall also furnish all such returns and reports, and give all such information touching the affairs of the suspended bank as the President of the Association or the Executive Council may require of him from time to time.

The remuneration of the Curator for his services and his expenses and disbursements in connection with the discharge of his duties shall be fixed and determined from time to time by the Executive Council.

15. Whenever a bank suspends payment and a Curator is accordingly appointed, the President shall also appoint a local Advisory Board consisting of three members, selected generally as far as possible from among the General Managers, Assistant General Managers, Cashiers, Inspectors or Chief Accountants,

or Branch Managers of any bank at the place where the head office of such suspended bank is situated, and the Curator shall advise from time to time with such Advisory Board, and it shall be his duty, before taking any important step in connection with his duties as Curator, to obtain the approval of such Advisory Board thereto. With the sanction of such Advisory Board, he may employ such assistants as he may require for the full performance of his duties as Curator.

CLEARING HOUSES

16. The Rules and Regulations contained in this By-Law are made in pursuance of the powers contained in the Act to Incorporate the Canadian Bankers' Association, 63 and 64 Vict., C. 93 (1900), and shall be adopted by, and shall be the Rules and Regulations governing all Clearing Houses now existing and established, or that may be hereafter established.

RULES AND REGULATIONS RESPECTING CLEARING HOUSES MADE IN PURSUANCE OF THE POWERS CONTAINED IN THE ACT TO INCORPORATE THE CANADIAN BANKERS' ASSOCIATION

1. The chartered banks doing business in any city or town, or such of them as may desire to do so, may form themselves into a Clearing House. Chartered banks thereafter establishing offices in such city or town may be admitted to the Clearing House by a vote of the members.

2. The Clearing House is established for the purpose of facilitating daily exchanges and settlements between banks. It shall not either directly or indirectly be used as a means of obtaining payment of any item, charge or claim disputed, or objected to. It is expressly agreed that any bank receiving exchanges through the Clearing House shall have the same rights to return any item, and to refuse to credit any sum which it would have had were the exchanges made directly between the banks concerned, instead of through the Clearing House; and nothing in these or any future rules, and nothing done, or omitted to be done thereunder, and no failure to comply therewith shall deprive a bank of any rights it might have possessed had such rules not been made, to return any item or refuse to credit any sum; and payment through the Clearing House of any item, charge or claim shall not deprive a bank of any right to recover back the amount so paid.

3. The annual meeting of the members shall be held on such day in each year, and at such time and place as the members may fix by by-law. Special meetings may be called by the Chairman or Vice-Chairman whenever it may be deemed necessary, and the Chairman shall call a special meeting whenever requested to do so in writing by three or more members.

4. At any meeting each member may be represented by one or more of its officers, but each bank shall have one vote only.

5. At every annual meeting there shall be elected by ballot a Board of Management who shall hold office until the next annual meeting, and thereafter until their successors are appointed. They shall have the general oversight and management of the Clearing House. They shall also deal with the expenses of the Clearing House, and the assessments made therefor. In the absence of any member of the Board of Management he may be represented by another officer of the bank of which he is an officer.

6. The Board of Management shall at their first meeting after their appointment, elect out of their own number a Chairman, a Vice-Chairman, and a Secretary-Treasurer, who shall perform the duties customarily appertaining to these offices.

The officers so selected shall be respectively the Chairman, Vice-Chairman, and Secretary-Treasurer of the Clearing House.

Should the bank of which the Chairman is an officer be interested in any matter, his powers and duties shall, with respect to such matter, be exercised by the Vice-Chairman, who shall also exercise the Chairman's duties and powers in his absence.

7. Meetings of the Board may be held at such times as the members of the same may determine. A special meeting shall be called by the Secretary-Treasurer on the written requisition of any member of the Clearing House for the consideration of any matter submitted by it, of which meeting 24 hours notice shall be given, but if such meeting is for action under Rules 15 or 16, it shall be called immediately.

8. The expenses of the Clearing House shall be met by an equal assessment upon the members, to be made by the Board of Management.

9. Any bank may withdraw from the Clearing House by giving notice in writing to the Chairman or Secretary-Treasurer between the hours of 1 and 3 o'clock p.m., and paying its due

proportion of expenses and obligations then due. Said retirement to take effect from the close of business of the day on which such notice is given. The other banks shall be promptly notified of such withdrawal.

10. The Board of Management shall arrange with a bank to act as clearing bank for the receipt and disbursement of balances due by and to the various banks, but such bank shall be responsible only for the moneys and funds actually received by it from the debtor banks, and for the distribution of the same amongst the creditor banks, on the presentation of the Clearing House certificates properly discharged. The clearing bank shall give receipts for balances received from the debtor banks. The Board of Management shall also arrange for an officer to act as Manager of the Clearing House from time to time, but not necessarily the same officer each day.

11. The hours for making the exchanges at the Clearing House, for payment of the debit balances to the clearing bank, and for payment out of the balances due the creditor banks, shall be fixed by by-law under clause 17. On completion of the exchanges, the balances due to or by each bank shall be settled and declared by the Clearing House Manager, and if the clearing statements are readjusted under the provisions of these rules, the balances must then be similarly declared settled, and the balances due by debtor banks must be paid into the clearing bank, at or during the hours fixed by by-law as aforesaid, provided that no credit balance, or portion thereof, shall be paid until all debit balances have been received by the clearing bank. At Clearing Houses where balances are payable in money they shall be paid in legal tender notes of large denominations.

At Clearing Houses where balances are payable by draft, should any settlement draft given to the clearing bank not be paid on presentation, the clearing bank shall at once notify in writing all the other banks of such default; and the amount of the unpaid draft shall be repaid to the clearing bank by the banks whose clearances were against the defaulting bank on the day the unpaid draft was drawn, in proportion to such balances. The clearing bank shall collect the unpaid draft, and pay the same to the other banks in the above proportion. It is understood that the clearing bank is to be the agent of the associated banks, and to be liable only for moneys actually received by it.

Should any bank make default in paying to the clearing bank its debit balance, within the time fixed by this rule, such debit balance and interest thereon shall then be paid by the bank so in default to the Chairman of the Clearing House for the time being, and such Chairman and his successor in office from time to time shall be a creditor of and entitled to recover the said debit balance, and interest thereon from the defaulting bank. Such balances, when received by the said Chairman or his successor in office, shall be paid by him to the clearing bank for the benefit of the banks entitled thereto.

12. In order that the clearing statements may not be unnecessarily interfered with, it is agreed that a bank objecting to any item delivered to it through the Clearing House, or to any charge against it in the exchanges of the day, shall, before notifying the Clearing House Manager of the objection, apply to the bank interested for payment of the amount of the item or charge objected to, and such amount shall thereupon be immediately paid to the objecting bank. Should such payment not be made the objecting bank may notify the Clearing House Manager of such objection and non-payment, and he shall thereupon deduct the said amount from the settling sheets of the banks concerned, and readjust the clearing statements and declare the correct balances in conformity with the changes so made, provided that such notice shall be given at least half an hour before the earliest hour fixed by by-law, as provided in clause 11, for payment of the balances due to the creditor banks. But notwithstanding that the objecting bank may not have so notified the Clearing House Manager, it shall be the duty under these rules of the bank interested to make such payment on demand therefor being made at any time up to 3 o'clock; provided, however, that if the objection is based on the absence from the deposit of any parcel or of any cheque or other item entered on the deposit slip, notice of such absence shall have been given to the bank interested before 12 o'clock noon, the whole, however, subject to the provisions of Rule No. 2.

13. All bank notes, cheques, drafts, bills and other items (hereafter referred to as "items") delivered through the Clearing House to a bank in the exchanges of the day, shall be received by such bank as a trustee only, and not as its own property, to be held upon the following trust, namely, upon payment by such bank at the proper hour to the clearing bank of the balance (if any) against it, to retain such items freed from said trust; and in default of payment of such balance, to return immediately and before 12.30 p.m., the said items unmarked

and unmutilated through the Clearing House to the respective banks, and the fact that any item cannot be so returned shall not relieve the bank from the obligation to return the remaining items, including the amount of the bank's own notes so delivered in trust.

Upon such default and return of said items, each of the other banks shall immediately return all items which may have been received from the bank so in default, or pay the amount thereof to the defaulting bank through the Clearing House. The items returned by the bank in default shall remain the property of the respective banks from which they were received, and the Clearing House Manager shall adjust the settlement of balances anew.

A bank receiving through the Clearing House such items as aforesaid, shall be responsible for the proper carrying out of the trust upon which the same are received as aforesaid, and shall make good to the other banks respectively all loss and damage which may be suffered by the default in carrying out such trust.

14. In the event of any bank receiving exchanges through the Clearing House making default in payment of its debit balance (if any) then in lieu of its returning the items received by it as provided by Rule 13, the Board of Management may require the banks to which the defaulting bank, or an account being taken of the exchanges of the day between it and the other banks, would be a debtor, in proportion to the amounts which, on such accounting, would be respectively due to them, to furnish the Chairman of the Clearing House for the time being with the amount of the balance due by the defaulting bank, and such amount shall be furnished accordingly, and shall be paid by the Chairman to the clearing bank, which shall then pay over to the creditor banks the balances due to them in accordance with Rule 11. The said funds for the Chairman shall be furnished by being deposited in the clearing bank for the purpose aforesaid. The defaulting bank shall repay to the Chairman for the time being, or to his successor in office, the amount of such debit balance and interest thereon, and the said Chairman, and his successor in office, shall be entitled to recover the same from the defaulting bank. Any moneys so recovered shall be held in trust for and deposited in the clearing bank for the benefit of the banks entitled thereto.

15. If a bank neglects or refuses to pay its debit balance to the clearing bank, and if such default be made not because of

inability to pay, the Board of Management may direct that the exchanges for the day between the defaulting bank and each of the other banks be eliminated from the Clearing House Statements, and that the settlements upon such exchanges be made directly between the banks interested, and not through the Clearing House. Upon such direction being given the Clearing House Manager shall comply therewith and adjust the settlement of balances anew, and the settlements of the exchanges so eliminated shall thereupon be made directly between the banks interested.

16. Should any case arise to which, in the opinion of the Board of Management, the foregoing rules are inapplicable, or in which their operation would be inequitable, the Board shall have power at any time to suspend the clearings and settlements of the day ; but immediately upon such suspension the Board shall call a meeting of the members of the Clearing House to take such measures as may be necessary.

17. Every Clearing House now existing, or that may hereafter be established, may enact by-laws, rules and regulations for the government of its members, not inconsistent with these rules, and may fix therein among other things :—

1. The name of the Clearing House ;
2. The number of members of the Board of Management and the quorum thereof ;
3. The date, time and place for the annual meeting ;
4. The mode of providing for the expenses of the Clearing House ;
5. The hours for making exchanges, and for payment of the balances to or by the clearing bank ;
6. The mode or medium in which balances are to be paid.

Any by-law, rule, or regulation passed or adopted under this clause may be amended at any meeting of the members, provided that not less than two weeks notice of such meeting, and of the proposed amendments, has been given.

NOTICES

17. Any notice of meeting or any other notice authorized or required to be given to any member of the Association shall be deemed sufficiently given, if sent through the post-office in a prepaid letter or by hand to the Head Office of any such member, addressed to such member or to the General Manager,

or Cashier of such member, and in the case of the Bank of British North America through its Chief Office in the City of Montreal, addressed to it or to its General Manager; and any notice sent by post shall be deemed to have been given on the day following that on which the same was mailed, and in proving the giving of such notice, it shall be sufficient to prove that the letter was properly prepaid, addressed and mailed.

Any notice authorized or required to be given to any member of the Executive Council may be sent by the Secretary-Treasurer by hand, or through the post office, or by telegraph, or in any other manner which the said Council may prescribe.

Any notice authorized or required to be given to any associate as such shall be sufficiently given, if given by advertisement once in a newspaper in the cities of Montreal and Toronto.

18. In the foregoing By-Laws, unless there be something in the subject or context inconsistent therewith, the words:

"The Association" shall mean "The Canadian Bankers' Association," incorporated by Special Act of the Parliament of Canada, (63 and 64 Vict., C. 93.)

"The Executive Council," or "The Council" shall mean "The Executive Council of The Canadian Bankers' Association."

THE LATE GEORGE A. SCHOFIELD

GEORGE ARTHUR SCHOFIELD was born at Norton, near Malton, in Yorkshire, England, on the 27th of March, A.D. 1841. He was the eldest of the five children of the Reverend George Schofield and Maria, his wife, daughter of Mr. John Knight, of Manchester.

The Reverend Mr. Schofield, then a minister of the Congregational Church, in 1849 removed with his family to Saint John's, Newfoundland. Here George A. was educated at the General Protestant Academy, conducted by Mr. Adam Scott of the University of Edinburgh, where he won three prizes for proficiency in Latin, and during the last year of his attendance was head of the school.

In 1857, with his father and family, he left Newfoundland and reached his future and final place of residence, Saint John, New Brunswick. Subsequently, in 1859, his father, having been ordained by the Bishop of Fredericton, became rector of an adjoining parish of the Church of England, with residence in the city.

George A., shortly after his arrival in Saint John, entered the service of the well-known firm of Lawton & Vassie, but was afterwards in the employ of a leading house of the period, Kemp & Adams, the two concerns being engaged in the dry goods business. On the 25th of February, 1862, he was appointed Discount Clerk in the Bank of New Brunswick, and after filling all the higher positions up to and including that of Accountant, on the 16th of May, 1884, he became the Manager of that institution.

When the late Senator Lewin ceased to be manager of the Bank of New Brunswick, he retired with an admirable record. His natural aptitude for the discharge of the duties of the position, his long experience, his knowledge and, perhaps especially, his courtly address, rendered him an ideal administrative head of such an institution. With reference to the last mentioned characteristic, it was generally alleged, and is to this day believed, that Mr. Lewin often could and did blandly refuse a discount and dismiss the applicant with a smiling face, and a conviction, possibly somewhat vague, that he had been the recipient of a favor.

Under the circumstances it might naturally be supposed that invidious comparisons would have been suggested as between him and his successor. So far was this from being the case, that it may be alleged that during the entire period of his management Mr. Schofield was without and above hostile criticism.

At the first meeting of the Canadian Bankers' Association, held in the Board Room of the Merchants Bank of Canada in Montreal, on the 19th of May, 1892, Mr. Schofield was elected a member of the executive council of the association. On the 27th of July, 1894, he was elected to the office of vice-president, which he also occupied at the time of his death. As a member and office-holder of this organization he was associated with measures and proceedings of importance, including especially Parliamentary legislation. In all of these his powers of judgment and foresight and his capacity as a debater and critic, and I might add, as a constructor of unambiguous English, were freely bestowed and highly valued.

Although he never sought political position, he at one time took an active part and was always interested in politics. He was opposed to the confederation of the Canadian provinces, or to rightly express his views, to the scheme submitted and finally adopted. In this he was by no means singular, and I remember hearing the late general manager of the Bank of British North America, Mr. R. R. Grindley, who during the contest over this important question was in charge of the agency of that Bank in Saint John, repeatedly expressing his concurrence with those in opposition. He was, however, careful to add that he was speaking entirely from the point of view of a business man in the maritime provinces, and that as a citizen of Toronto or Montreal, he might entertain an entirely different opinion. Mr. Schofield favored a tariff for revenue only, and always voted with the Liberal party.

Although he would have laid no claim to be an orator, Mr. Schofield was a singularly effective debater. He had a wonderful gift for arranging his ideas, and he expressed them unhesitatingly and somewhat rapidly, in simple language, with some economy, but never any waste of words. It was generally necessary for him to deal with figures in his speeches, and he had the happy gift of rendering them both attractive and instructive. His great strength in debate, however, undoubtedly was derived from his sincerity, his integrity and self-effacement. His friends never feared that he would compromise a principle to secure a personal triumph. His opponents recognized in him a fair fighter, always in the open and disdainful of cover, and respected him.

In private life he avoided social functions and excitement, seeking and finding pleasure in the home circle and amid tried friends, and in quiet places. He had little time to devote to books, although reading was his delight, but was exceedingly well informed upon all topics of general importance; and possessing admirable conversational powers, and being a good listener, his companionship was always highly acceptable and largely sought.

On the 24th of September, 1863, he was married to Miss Bertha Jane Allan, who survives him, and of their children five sons and three daughters are now living. His father, born in 1813, and two brothers and two sisters are also among his survivors.

On the 25th of November, 1900, a very active, useful and highly valued life on earth ended, and George Arthur Schofield entered into rest.

I. ALLEN JACK

Geo A Schreiner

THE HISTORY OF CANADIAN CURRENCY, BANKING AND EXCHANGE*

IV. CRITICISM, PROSPERITY AND EXPANSION

THE natural interest with which the Canadians in both Provinces followed the course of events in the United States, and the close connection of the currency and exchanges with those of the neighboring Republic, were strongly expressed in the period upon which we are entering. The Canadian banks, partly from choice, partly from necessity, followed the movements and profited by the experience of the American banks, and especially the Bank of the United States. So completely were their exchanges with Britain and the rest of the world dominated by those of the United States, that the Canadian bankers, so late as 1830, knew little of the banking systems and practices of the mother country, while thoroughly conversant with those of the United States. Though the Bank of Montreal absorbed the greater part of the foreign exchange business of the country, yet Mr. Benjamin Holmes, the cashier in 1829 and an officer of the Bank from its commencement, admitted to a committee of the Assembly that he did not know anything of the banking practices of the Bank of England, the Scotch banks, or any other British banks, while he was able to give very accurate evidence as to the workings of the banks of the United States. Neither the committee nor those who gave evidence before it seemed able to throw much light upon the banking practices of Europe, though one of the objects for which the committee was appointed was to obtain such information.

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*Chief sources:

Dominion Archives, State Papers, Lower Canada.

Journals of the Assembly and Legislative Council, Lower Canada.

Statutes of Lower Canada.

Considerations on the Currency and Banking System of the United States. By Albert Gallatin. Phila., 1831.

A History of Banking in the United States. By William Graham Sumner. New York, 1896.

The History of the Session of the Provincial Parliament of Lower Canada for 1828-9. n. d.

Conclusion des Observations d'Anti-Banque sur les Banques du Canada. n. d.

Kingston Chronicle. 1827-32.

Quebec Gazette. 1833.

Since the Canadian banks were still following the better American models, it was quite natural that the criticism which was directed against the American banks should have found a more or less faithful echo in Canada. It was popularly assumed in both countries, that the chartered banks were intended to act as public servants for the general benefit of those engaged in trade and industry. Such being the case, the average trader could not understand why the banks should curtail their discounts on the mere suspicion of approaching commercial distress. Surely it was just at such times that the banks should come to the assistance of trade. Indeed, a great many of the smaller banks, having been established by men who held views of this nature, did not at first see the necessity for shortening sail on sign of rough weather, and the 165 bank wrecks between 1811 and 1830 were largely contributed by bank directors fortified by the courage of ignorance, rather than sustained by the wisdom of experience.

However, as the surviving banks increased in wisdom their critics increased in number. The growing caution of the banks on the approach of bad times led to their being accused by many of producing, or at least augmenting the crisis. Nor were the critics without considerable data for the making of a plausible case. When credit is once impaired an extra strain falls upon what remains, and every crisis is greatly augmented by the stress which it itself produces. In other words a crisis, once started, largely propagates itself.

In the face of this fact, the very self-interest of the banks should forbid their leading a stampede for cover, since they are altogether likely to be ridden down in the general rout. As the responsible officers of credit, when retrenchment is needful the banks must conduct an orderly retreat. This of late they have been able to do by means of organization. But before experience had fully demonstrated the wisdom and possibility of this policy, the position of an individual American bank, resting on its own responsibility, was a very difficult one, and not to be judged by our present standards.

At the period we are considering, the people not understanding why the banks should vary in their readiness to grant accommodation, various suspicions and short theories were started to account for it. Political partisanship on the part of the bank was a common explanation, especially where the individual whose paper was refused did not share the political convictions of the banker. The employment of the bank's funds in the purchase of exchanges, or other speculation beyond the territory normally connected with the bank, was another explanation. But the commonest of all was that of personal favouritism, and especially the favouring of those connected with the bank as shareholders or directors.

These grounds of accusation, among others, we find to be very common in both the United States and Canada, tending to become more bitter and specific at times of particular stringency in the money market. We have already seen how they were directed against the Bank of Montreal in the early twenties, and we find them again coming to the front in the temporary crisis of 1828-9.

It was at this time that the so-called "bank war" was beginning in the United States between President Jackson's administration and the Bank of the United States. Many of the arguments then being directed against the Bank of the United States found a ready echo in Canada, and especially in Lower Canada. The French Canadians were prepared to recognize in the Bank of Montreal in particular a strong political enemy, inasmuch as several of its directors and leading shareholders were among the leaders of the English minority in the Assembly, or were connected with the Provincial Executive. With both of these sections the great body of the French Canadians were more or less constantly in political conflict.

After much private head shaking and considerable street gossip, propagating accusations and suspicions as to the injustice, or, at best, the unfairness of the methods and practices of the Bank of Montreal, a petition was presented to the Legislature of Lower Canada, January 16th, 1829, by various persons styling themselves merchants and traders of Quebec. The petition sets forth that the public in general and the petitioners in particular have suffered much inconvenience and prejudice from the manner in which the Bank of Montreal has conducted its business, both before and since its incorporation. The friends of the bank in the Assembly, regarding the movement as simply a political attack on the bank, at first attempted to prevent any action on the petition. But an investigation was called for by a very large majority.

Changing its tactics, the Bank of Montreal sent in a petition, on the 2nd of February, requesting that a full investigation of the charges be made, and promising to facilitate this by presenting special details of its business not called for in its charter.

The accusations brought against the bank, though covering in a vague way quite a wide field, were summed up with sufficient accuracy, by the committee, in the following charges:

"1. That the public have suffered much inconvenience and loss from the manner in which said bank has conducted its business.

2. That the bank had no legal right to establish an office of discount and deposit at Quebec.

3. That the office of discount and deposit at Quebec refused to redeem the notes issued by the mother bank.

4. That the office of discount and deposit at Quebec have issued notes bearing the words "Payable at Quebec," and that they refuse to redeem any other.

5. That the Montreal Bank traffics in its own notes, by buying them up at a discount.

6. That the bank have traded largely in deteriorated coins.

7. That the bank have not used proper precautions to prevent its paper from being counterfeited."

Among these charges, the strongest practical issue raised by the critics of the bank, was the refusal of the branch at Quebec to redeem the general notes of the bank, confining its payment of notes to those stamped "Payable at Quebec" and issued there. In reply, the officers of the bank did not attempt to deny the charge, but pleaded justification, and referred to the practice of several American banks, and especially the Bank of the United States, in support of their position.

The point at issue was an interesting one for all American banks, and, in one form or another, it fills quite a chapter in the history of American banking and inland exchange.

Owing to the great distances in America, the bad roads and imperfect means of transportation and insurance, it was for a long time a hazardous and expensive matter to transport specie from one part of the country to another. Another important element in the situation was the fact that the greater portion of the American produce for the general market consisted of agricultural products and other raw materials, brought to market in large quantities at special seasons of the year. In consequence of this, the internal exchanges were very irregular in their operations, requiring large movements of money over considerable areas and for long distances, or a special organization of the exchanges to meet the peculiar needs of the country. Hence, both in the United States and Canada, inland bills of exchange were much in demand, at varying premiums, as an alternative to the shipping of specie.

But bank notes, redeemable at points where payments were to be made, being much more convenient for transport than specie, shared with the bills of exchange in the general demand for means of remittance. In consequence of this, certain banks at centres where payments in specie were frequently to be made, found their notes constantly coming back upon them for redemption in specie, which necessitated a correspondingly constant effort on their part to collect and bring back specie to replenish their stores. But in the case of banks having branches at centres of demand for specie, they were liable to be called upon to redeem large quantities of their central issues at these branches. This involved the collection and transport of large quantities of specie from the central office to the branches, and the keeping of duplicate stores, to some extent, at the central office and the branches.

The Bank of The United States, having a large number of branches, soon found this inconvenience very great, since the work of transporting specie all over the country largely fell to its lot. By collecting its notes at any place whence payments were required, and sending them to the place where payments were to be made in specie, the bank was forced to transport the specie which otherwise the person making the payment would have had to send. Hence, not long after its establishment in 1818, the bank refused to redeem at the branches anything but the notes issued there. But it undertook to sell inland exchange on its various branches, thus supplying the need but charging for the service. This was made a special point of attack upon the bank by its enemies.

Now, the Bank of Montreal found itself in a similar position as regards its Quebec branch. All import duties were payable at Quebec in specie, which specie the Government transported to various parts of the two Provinces in making its disbursements. Through what channels, then, was this specie to be collected and transported back to Quebec to begin its journey over again? We find that a great deal of it, as well as of that disbursed from the military chest at different points, was collected by the Bank of Montreal in the western parts of Lower Canada, and by its agents in the upper Province, and conveyed to the vaults of the central office. That considerable portion which flowed into the northern fringe of the United States had to be brought back from New York and Boston in exchange for Government and bank bills on London.

Thus the normal flow of specie, as affecting Canada, was from the United States and the Upper Province to Montreal, and from Montreal to Quebec. At Montreal and Quebec it largely passed into the hands of the Provincial and Imperial Governments; to the former for duties, and to the latter for bills on Britain. Through Government expenditure, civil and military, the specie returned to trade and the circle was completed.

That the greater part of the expense of collecting and concentrating the specie fell to the lot of the Bank of Montreal is to be learned from various sources. The bank itself supplied statistics showing that from its commencement in 1817 to 1828 it had transferred specie to Quebec to the extent of £322,698, while it had brought specie from Quebec to Montreal to the amount of £177,393, of which £129,159 was brought up at the time of the financial difficulties of the bank between 1820 and 1824. During the same period the bank had imported specie from the United States to the extent of £665,582, and exported specie to the extent of only £150,951, which, with the exception of £1,762 in 1828, was all sent between 1818 and 1822.

As showing the means by which this specie was obtained, we may take the following summary of the exchange dealings of the bank for the three years 1827-29. Exchanges purchased from the Government, £228,900; from private individuals, £123,706. Government bills disposed of in New York, £160,700. Total amount of Bank of Montreal exchange drawn, £204,004, of which £76,954 was sold in Canada and £117,000 in the United States. The private bills purchased by the bank, being mostly drawn against Britain, were sent there for collection, and provided a considerable portion of the fund against which the bank exchange was drawn.

Such being the normal trend of the Canadian exchanges, it is quite obvious that if the Bank of Montreal were prepared to cash all its notes at its Quebec branch, those having duties to pay or other specie obligations to meet at Quebec, would simply require to collect Bank of Montreal notes in the west, send them to Quebec and require the bank to deliver through its branch there the needed specie. This would entail upon the Bank of Montreal the expense and risk of transporting to Quebec a steady stream of specie to be transferred from commerce to the Government treasury there. Naturally the Bank of Montreal objected to bear the whole burden of keeping this endless chain in motion. The Quebec branch had been established simply to do an ordinary banking business there, and to facilitate the exchanges in which the bank itself was interested. The bank therefore supplied the Quebec branch with a special set of notes for local circulation, and it undertook to redeem at Quebec only those issued through the branch there.

The Bank of Montreal, however, continued to issue drafts on the Quebec branch, for which it charged a commission which covered the risk and cost of transporting specie. If the Bank of Montreal had agreed to cash its general notes at the Quebec branch for a discount equivalent to the charge for drafts, the public would have had the option of having the notes cashed at a discount or of purchasing drafts on the Quebec branch. At first this cashing of its own general notes in Quebec at a discount seems to have been permitted to some extent. But as it gave occasion for the cry that the bank was trafficking in its own notes, it was discontinued.

We have now seen why it was that the Bank of Montreal refused to redeem its general notes at the Quebec branch, and yet maintained that the Quebec office was not a separate institution but a *bona fide* branch of the bank. The committee of the Legislature sustained the bank in its position on this important point.

The Quebec Bank was not affected in the same way. It had no branch at Montreal, but, the flow of specie being down the river, even if it had established a branch at Montreal there would have been no tendency to present its Quebec issues for redemption there. The Bank of Montreal acted as agent for the Quebec Bank in Montreal, and readily cashed its notes there, since, by returning them to Quebec, it was saved the transport of that much specie. The Quebec Bank, however, would not receive at par the Bank of Montreal notes not redeemable in Quebec, as it would have to bear the expense of sending them to Montreal and bringing back the specie. In other words, it would have found itself in the same position as the Quebec branch of the Bank of Montreal before it refused to redeem the general issues of the bank.

The other charges against the bank were mostly of a trivial nature and not supported by the evidence of any persons of importance in the country. On examination, most of the petitioners had to admit that they had suffered no personal inconvenience from the bank, but had signed the petition in consequence of the current criticism of the bank in the gossip of the shops. Others professed to be actuated, not by personal motives, but by an unselfish devotion to the public welfare. But, unfortunately, they had but a nebulous conception of the public welfare, and no specific idea as to how it was being endangered.

Only as regards the coins in which the banks redeemed their notes was any unsatisfactory condition of affairs revealed, and that was plainly more to the reproach of the law of legal tender than of the practice of the banks. In their larger dealings, connected with the purchase and sale of exchanges, the banks were compelled to use a bullion standard. But in the redemption of notes presented by the ordinary citizen, and especially the French Canadian, they naturally took advantage of the law and handed out an inferior coinage passing by tale and not by weight.

In the course of the investigation, the old objection to the Bank of Montreal as monopolizing the exchanges of the country, was brought forward again. The centre of the grievance, which was mainly that of the importing merchants and the rival banks, was that the Bank of Montreal, as a competitor for foreign bills, raised the price of them above their normal value and then sold to the merchants its own bills of exchange at an advance on the mercantile bills.

The explanation of all this was simply that the Bank of Montreal, through its extensive foreign connections, could commonly dispose of the foreign bills to better advantage than private individuals or the other banks. On the other hand, bank exchange, being more reliable than private bills, always sold at a higher rate. Again, owing to the bank's permanent connections, it was able to furnish the merchants with exchanges during the spring and summer months, when practically no private bills were available, there being few exports against which to draw at that season. The operations of the bank were thus most useful to the country, serving to keep up the value of exchange at the latter part of the year, when there was a plethora of bills, and furnishing exchange at a reasonable rate during the earlier part of the year. The bank thus encouraged exports and restrained imports, tending to equalize the commerce of the country by preventing the importer from flourishing at the expense of the exporter.

Incidentally we learn from the evidence of the Cashier before the committee of the Legislature, that the Bank of Montreal did not pay any interest on deposits, and that, though it had successfully weathered the financial crisis of the early twenties, yet, in order to strengthen its position by accumulating a reserve fund, it still refrained in 1829, and indeed till the renewal of its charter the following year, from paying dividends.

The committee of the Assembly exonerated the bank from all the charges brought against it, and commended it as an institution whose business was beneficial to the country. The committee, however, was chiefly representative of the larger commercial interests of the country, and can hardly be taken as voicing the general opinion of the Assembly, much less of the popular views of the Province.

As the charter of the bank expired on June 1st, 1831, the bank thought it wise, in the face of the popular opposition, which was partly political, to make an early test of the situation. It applied for a renewal of its charter on February 3rd, 1830. In the petition presented to the Assembly, the bank claimed that the interests of the country, which induced the first granting of the charter, having considerably increased and having been fostered by the bank, that institution had become indispensable to the prosperity of the country and the development of its resources. On these grounds they pray for the renewal of its charter for such a number of years and with such amendment as the Assembly may see fit.

As was no doubt expected, this application brought to the front a good deal of latent opposition to the Bank of Montreal in particular and to banking corporations in general. The fact that the French Canadians, as a body, were still largely distrustful of paper money and still given to hoarding coin, affords a key to much of the criticism of the banking system.

The author of a series of letters signed Anti-Banque, argued with a good deal of ability and with copious references to the leading economic literature of the day, against the substitution of paper for metallic money in the currency of the country. He sought to prove on rigid economic grounds what many held only as a general conviction, that the banks, by the issue o their notes, and especially the small notes for $1 and $2, had driven out of circulation the greater part of the metallic currency. Now, apart from the question as to whether Canadian conditions could be decided by European standards, such conclusions were both true and false. It was quite true that, had it not been for the bank notes, there would have been a much larger quantity of metallic money in circulation in Canada than was found necessary under existing conditions. But, on the other hand, it is equally true that, had the country been compelled to depend upon metallic currency for its domestic exchanges, these would have been greatly curtailed, and the business of the country would not have been nearly so well developed as it was. Anti-Banque himself admitted that the Western Province had made much greater progress since 1815 than Lower Canada, and he tried to make the banks responsible for this stagnation. But the fact remained that it was in the trade with the English element of Lower Canada and the Upper Province that the banks found the chief employment for their funds and almost the whole circulation for their paper. Again, in arguing that the whole of the paper issues of the banks were not real but fictitious wealth, a popular conception of the time was fully expressed. There was a general failure to distinguish between the value of a service rendered and the value of the instrument which renders the service. Money, when used as money, is simply an instrument for the transference of values, or the exchange of wealth. When the money, or instrument which makes the transfer, is equal to the value of the wealth transferred it adds nothing to the service rendered, though it does insure the holder of the money against loss should the exchange fall through or fail to be completed. But, in all normal business, an instrument which will fully serve to make the transfer and at the same time cost little or nothing itself, represents an immense saving to the country. It is relieved from the necessity of excluding from the field of active production a great deal of its capital in order to provide a medium for exchanging the remainder.

On the opposite side, the failure to recognize these truths led to glaring examples of the illegitimate use of paper money, through the attempt to employ it, not merely as an instrument for the exchange of wealth, but as a substitute for wealth. These examples furnished the strongest element in the argument of the critics of the banks.

Again, those who sought to obtain metallic money for the purpose of hoarding it, but found paper money taking its place, were naturally prejudiced against the banks and their methods.

Lastly, the banks had to contend with the Imperial policy of the time, as represented in the British Treasury scheme for unifying the currency of the Empire on the British model. Commissary General Routh, the exponent of this policy in Canada, strongly urged upon the Government his objections to the exchange business of the banks and their issue of small bank notes. He found in the specie dealings of the banks, their dependence upon the American money market, and their consequent adherence to American currency standards, as also in their issue of $1 and $2 bank notes, the chief obstacles to the introduction of British silver coins and their maintenance in circulation. He returned to the charge with special emphasis when the question of renewing the charter of the Bank of Montreal was brought forward. The banks, he says, have no claim against the public good. They should be forced to redeem their notes in a sound circulating medium; in other words, there should be no premium on exportable metallic money so long as bank notes are freely redeemable in specie. The real cure for this, as he rightly claims, is a sound currency law dealing with legal tender. But this did not necessarily involve his particular view of a restricted legal tender, or the prohibiting of bank notes for less than $5. He makes use of the American argument that it is dangerous to permit the banks to obtain such a complete command over the currency of the country, since they may acquire an influence as great as that of the Legislature itself. Even at present, he points out, it is impossible for the Government to keep specie in circulation alongside of the bank notes.

The leading objections to the banks found expression in a petition from various merchants of Quebec urging that, should the charter of the bank be renewed, "care should be taken to protect the interest of the public by restricting the said bank from dealing in bills of exchange and from issuing bills for small sums."

However, apart from the influence of its friends, there were two strong factors in favour of the bank at this time. The first and most important fact was that Canada, in common with the rest of the world, had entered upon a very prosperous period. Trade and industry in general were rapidly developing. The Imperial Government had undertaken large military and public works, chief of which was the Rideau canal in Upper Canada. The Provincial Government also undertook to improve the internal means of communication. There was much demand for labor, a good market for the products of the country both at home and abroad, and the merchants and small traders were in the best of spirits over the outlook.

The second fact, depending on the first, was that the banks, already almost indispensable to trade, were found to be increasingly necessary to the business interests of the country. In fact, business was beginning to demand more accommodation in the banking line than the existing banks, with their limited authorized capital, could supply.

It was felt by every one who realized the position of the country that to refuse to renew the charters of the banks meant immediate panic and probable ruin for much of the reviving trade of the country. Thus the Bank of Montreal, as leading the van, found the force of circumstances strongly in its favour. Even the French Canadian leaders, while strongly critical of the bank, plainly recognized that they dared not effectively oppose the renewal of its charter.

The *Kingston Chronicle* of March 27th, 1830, gives a very full report of the debates in the Assembly on the subject of the bank. Mr. Neilson, while not prepared to directly oppose the renewal of the charter, was still very critical. He declared that the bank had not fulfilled the expectations of the public with reference to the assistance to trade and the rendering of payments steady and regular. He was doubtful of the advantages of the small notes in the currency of the country, and especially suspicious of the political power of the bank when he found that there were obligations due to it to the extent of £600,000, which gave the bank a very great hold upon the people and a special opportunity for corruption.

Mr. Papineau followed in the same line, and referred to the limited knowledge which the public were permitted to have as to the workings of the bank or its solvency. He hinted at the fact of the institution having been at one time on the verge of bankruptcy. He admitted that, so far, the Bank of Montreal had fulfilled all its obligations, but the future was uncertain and the example of many of the banks in the United States was a warning of what might happen. He was inclined to regard the investigation of the previous year as a whitewashing process for the bank, and desired a fuller account of its affairs trom the officers of the bank. He also attacked the privilege of limited liability which the shareholders enjoyed under the existing charter.

Mr. Leslie, one of the directors of the bank, defended it and promised all reasonable information as to its standing and general business. In the bill now before the House, he said, a new form for rendering statements as to the condition of the bank was introduced, taken from an act of the State of Massachusetts, which he hoped would prove satisfactory. As to the issue of small notes, it had been forced upon the bank by the necessities of trade and by the fact that before they were issued their place was taken by small notes from banks in the United States. The small notes of the bank then in circulation amounted to about £45,000. The reason for applying thus early for a renewal of the charter was that if the bank was not to be re-chartered it must have some time for calling in its loans and winding up its business, which would be a very serious matter for the country. This adroit statement drew from the leading critics of the bank the admission that the sudden winding up of an institution which had such a hold upon the commerce of the country, would indeed be disastrous to the merchants and, through them, to the people throughout the Province. But, while not prepared to go the length of refusing to continue the bank's charter, they would not consent to extend the charter for another ten years, nor let the bank off without a pretty thorough revelation of its business. Mr. Couvillier, formerly a director of the bank, told those who were clamouring for a complete exposition of its affairs, that they could not understand such a statement if presented to them; even the stockholders could not fully understand it; an observation which, however true, had anything but a sedative effect upon the oversuspicuous French Canadian representatives.

After some pretty sharp debate, an extensive range of detailed information was called for by Mr. Young, member for the lower town of Quebec. This referred more particularly to the bank's dealings in exchange, and its granting or withholding of discounts. The objection was made that the time necessary to supply the details asked for would prevent the charter from being passed before the session closed, and the interests of the country demanded that a decision should be arrived at that session.

Mr. Young, who declared himself not opposed to the renewal of the charter but anxious for more detailed information, announced that he could contribute from his personal knowledge one item of information with reference to the relation of the bank to Government exchange. That was, " that the bank had made an offer to pay the whole of the expenses of Government, if they could have the refusal of all the Government exchange; and when they were defeated in this project (and defeated they were, but—no matter how—) they then took such measures as indeed every trading company would, to effect their purpose by other means." As this interesting bit of information was not contradicted by the representatives of the bank there was no doubt some element of truth in it. The people, said Mr. Young, are anxious to know what difference there was between the rates at which the bank bought and sold its exchanges. He intimated that the bank charged 5, 6 and 7 per cent. advance, owing to its virtual monopoly of the exchange market. The bank, however, steadily refused information on these points, and the Assembly had to go without it.

The committee to whom the petition of the bank was referred, reported in favour of the renewal of the charter, with a recommendation that a more detailed statement of the affairs of the bank should be required from it. It was recommended also that the bank be permitted to increase its capital, but it was not considered necessary that the bank should be prevented from dealing in exchanges or issuing small notes. In due course the necessary act was passed, renewing the charter until the 1st of June, 1837. But, in case the charter of the Quebec Bank should not be renewed, or no other bank chartered, the act continuing the Bank of Montreal was to lapse ten months after the expiry of the present charter of the Quebec Bank. However, the following year, 1831, the prosperity of the country still increasing, the charter of the Quebec Bank was also renewed, though only for five years, to May 1st, 1836.

In accordance with its petition, the Quebec Bank was authorized to expand its capital from £75,000 to £225,000. The bank had also petitioned to be permitted to establish a branch at Montreal, but it was considered unnecessary to specify this in the charter, as it might have thrown some doubt on the legality of the branch of the Bank of Montreal at Quebec, which had not been specifically authorized in the act continuing its charter.

The most important amendment to the charter of the Bank of Montreal, repeated in the subsequent charters of the Quebec and City Banks, was the new form of statement to be furnished to the Governor, or either branch of the Legislature, on request. This was based upon an Act of the State of Massachusetts, and may be summarized as follows: Liabilities: Amount of stock paid in; notes in circulation; net profits on hand: balances due to other banks; deposits, distinguishing those bearing interest. Assets: Bullion in the vaults of the bank; real estate; notes of other banks; balances due from other banks; general debts owing to the bank, distinguishing those owing on bills of exchange, discounted notes, mortgages and other securities. Also the following general information: The rate and amount of the last dividend; the reserve after declaring the dividend; debts due and secured by the pledge of stock belonging to the debtors; debts overdue, with estimate of probable loss on them; list of shareholders, with the number of shares held by each, and the amount of loans made to directors, or for which they are security. The only information previously required from the banks was, on the side of liabilities, the amount of the capital stock, the moneys deposited with the bank, and the notes in circulation; and on the side of assets, the cash on hand, and the debts due to the bank.

The only other amendment of importance was the prohibition of notes for less than five shillings ($1), and the limitation of the amount of notes of smaller denominations than five dollars, to one-fifth of the amount of paid-up capital.

The influence of the full tide of prosperity, which was everywhere apparent in America, did not end—in Canada, with an increase of the stock of the Quebec Bank. It led, as in the United States, to the formation of new banks which applied to the Legislatures for public charters.

The first of these in Lower Canada was the City Bank, which applied for an act of incorporation on February 5th, 1831. Among its claims for consideration we find the usual references to the public benefits rendered by sound banking institutions, in providing a convenient circulating medium and encouraging trade by their advances. More specifically, it was claimed that the capital of the Bank of Montreal was inadequate to the needs of that important centre, whose progress was therefore restricted. While it was admitted that as yet no evil had resulted from the monopoly which the Bank of Montreal had enjoyed, yet it was well to prevent the possibility of it by insuring a reasonable competition.

The petition was referred to the Committee on Trade, who reported favourably on it. The necessary bill was passed through the Assembly without much trouble, but it met with decided opposition in the Legislative Council, where the Bank of Montreal interests were very strong. After considerable debate in the Council on the question of its total rejection, it was referred to a committee of three and by them quietly buried.

During the same session an attempt was made to obtain a charter for the Stanstead County Bank, the petition for which was based on the unique grounds of poverty and patriotism. Instead of representing that they had sufficient capital with which to start and support a bank, their petition states that the people are poor and in great need of capital, hence they are forced to apply to banks in the United States for the means of carrying on their business, thereby impoverishing their own country and enriching their neighbours. Notwithstanding this naive but unpromising argument, the Committee on Trade reported the petition favourably, and a bill to incorporate the bank got as far as consideration in Committee of the Whole, where it was dropped on adjournment of the House. The following session the Stanstead people once more petitioned for a chartered institution to supply them with home made capital. Their petition, however, got no further than the first committee to which it was referred.

The session of 1831 also saw the introduction of a bill to establish savings banks in the Province. Though introduced too late in the session to get through the various stages, it was taken up the following year and became law.

In the session of 1831-2, the City Bank once more applied for a charter with a capital of £250,000. This time the bill passed both Houses of the Legislature, but was reserved by the Governor.

The question naturally arises, why did Lord Aylmer, then Governor of Lower Canada, decide to reserve the bill chartering the City Bank, when he had given his assent to one essentially the same continuing the Quebec Bank? The Act continuing the Bank of Montreal had become law before he assumed office.

The explanation is doubtless to be found in the changing attitude of the Home Government with reference to the Canadian banks.

Recognizing the failure of its own scheme for regulating the currency of the colony, the Treasury had been considering the advisability of making its payments in the colony through the medium of one or more of the colonial banks. In January, 1831, Lord Goderich, the Colonial Secretary, wrote to Lord Aylmer, asking for information regarding the banking establishments in the Province. In response to this the Governor sent the particulars furnished by the banks at the time of the renewal of their charters. In his public despatch he adds no observations of his own, as he understood that the Lords of the Treasury had applied for information to Mr. Routh, the Commissary General.

But, in a private letter of the same date, May 6th, 1831, Lord Aylmer makes some interesting observations on the banking system of the colony, with special reference to the question in hand. The banks of the Province, he says, are of the most respectable kind, and are subject to the supervision of the Provincial Legislature. In time of peace there could be no difficulty as to the arrangement which the Lords of the Treasury are considering, for making their payments through the banks. But in case of any crisis with the United States there might be trouble. In their business the banks of Canada are closely connected with those of the United States. In case of an international crisis, the command of specie would be absolutely necessary for the Government, and, under the circumstances, it might be difficult to convert the paper into specie. It may be added that the Governor's knowledge of American banking was limited to the conviction that all the banks there were "little better than gambling speculations."

Eventually the Home Government decided to make trial of the policy of employing the Canadian banks in making its payments. Naturally the Bank of Montreal was first selected, since to it the Government had already disposed of the greater part of its exchanges, and the bank itself had been for some time urging this policy upon the authorities. We learn from the *Quebec Gazette* of January 9th, 1833, that "All demands against the Commissariat Department are now paid by cheques on the Montreal Bank. This plan went into operation on the first of the present month."

The Imperial policy with reference to the banks being in a transition state when the bill for the establishing of the City Bank came before the Governor, he naturally thought it wise to have the opinion of the Home Government on the subject. The Colonial Office did not object to the new bank, but discovered that the bill contained certain clauses seriously affecting the criminal law of the country. For instance, death was made the penalty for any servant of the bank "who should secrete, embezzle or run away with" any of the securities of the bank. Now, the objectionable clauses were simply copied directly from the Acts chartering the Montreal and Quebec Banks, which had just been continued without any amendment in these particulars. Lord Goderich, in giving the reasons for the disallowance of the Act, stated that, while the Home Government had no intention to interfere with the criminal law of Canada, yet it could not sanction the establishing of a special criminal code for the protection of specific corporations.

However, he intimated to the Governor that should a bill be passed chartering the City Bank and containing no such objectionable features, he might give it his assent. Accordingly, in the session of 1832-3 the bill was again passed without the criminal clauses, and, receiving the Governor's assent, became law on April 3rd, 1833.

The bank was chartered till June 1st, 1837. The capital stock was fixed at £200,000, in shares of £25 each. The sum of £40,000 was to be paid in before any notes could be issued, and a further sum of £36,000 to be paid in within three months from the first issue of notes. The whole of the capital stock was to be paid up within four years from the passing of the Act, but no single payment to exceed ten per cent. on the shares.

The books for subscription to the stock of the bank were opened on May 13th, and at once 1,000 shares were taken up. During the summer the organization of the bank was completed, and on October 14th, 1833, the City Bank opened its doors for the transaction of public business. There appears to have been no lack of patronage, for it was reported that paper for discount to the extent of £50,000 was offered on the opening day, of which only £9,600 was accepted.

Before dealing with the inevitable reaction which followed the period of prosperity from 1829 to 1833, we must see how banking and exchange fared in Upper Canada during the years of plenty.

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A BRIEF ACCOUNT OF THE DEVELOPMENT OF METALLIC AND PAPER CURRENCY. THE ADVANTAGES AND DISADVANTAGES OF EACH AND HOW THEY CAN BEST BE COMBINED FOR ECONOMIC PURPOSES

BEING THE ESSAY IN COMPETITION I TO WHICH THE FIRST PRIZE WAS AWARDED

THE subject of the development of currency is so intimately connected with the progress and civilization of the human race, that it may be well at the outset of this essay to consider for a moment the earliest phases of society, and to seek to trace in them the growth of those needs to satisfy which a system of currency was evolved.

The primitive man was self-contained. He relied on his own exertions for the satisfaction of such simple and elementary wants as he had, in the same manner as he obtained food and clothing through the exercise of his own industry in the chase. His wants are satisfied as they arise, and no accumulation is made in anticipation of their occurrence. He would have no use for a currency if any existed. But a short time elapses, however, before we find him the member of a family or group, which may perhaps have made some progress in the acquisition of flocks or herds, to be used and enjoyed in common. There may now arise an occasional disposition on the part of these groups to exchange possessions, leading to the establishment of what we call a system of barter. But these exchanges will be few and limited in kind because of the difficulty of bringing together those whose surplus and wants correspond. In the progress of society a common ownership soon passes away, and a more varied agricultural life succeeds to the purely pastoral one we have spoken of. Exchanges between man and man increase in number and variety, and the need becomes apparent of some article which, being a common object of desire, shall be at all times acceptable in exchange. This article becomes a currency.

But this currency will not necessarily consist of the metals or of paper. More likely it will be something of general production among the people, which is at the same time an object of widespread desire. Almost everything used by man has at one time been employed as currency, and great variety still exists in the objects so used in the uncivilized parts of the world. Cattle, skins, leather, clay, grain are but some of these substances which in the irresistible progress of civilization, have all given way to the metals. Of the metals, copper, silver and gold have proved best fitted for the purpose, but the process of selection has been a very gradual one, and during its course tin, brass and iron have all been used. But the last three mentioned are more subject to rust and decay; tin is not found in adequate abundance; iron is too heavy; and all are inconstant in value, so that they have been gradually discarded. Copper has likewise come in modern times to fill only a subordinate position, but for long ages and in many countries it held full sway as a currency metal.

The extreme antiquity of the use of the precious metals as a medium of exchange is evidenced by the oldest written records of the human race. The oldest books of the Bible, Genesis and Job, both contain many references to it, to some of which we may have occasion to refer again. Homer mentions the hoarding of gold, and its occasional use in making payments, at a time when cattle were usually employed as a measure of value. There is also an interesting passage in the Code of Manou which seems to imply a knowledge of the use of money at the remote date to which these ancient Indian records are usually assigned, and in the oldest Vedic writings there is distinct mention of gold, silver and coined money. The scarcity of other forms of wealth in a primitive state of society has doubtless brought about a strong tendency to accumulate the precious metals, The tenure of land was too insecure until quite modern times. Flocks and herds are perishable, and may easily become a burden to provide for. But the precious metals, through their great beauty, and the limitation of their supply, have always been much sought after. It soon came about that the kings required their revenues to be paid in them. In this way they obtained additional value, an extended demand, and an established status as a medium of exchange; for every man needed them to discharge his tribute to the king. Their suitability for a currency is evidenced in the following ways:

1. Their great usefulness and value. For ornamental purposes they have no peer. Their lustre is not easily dimmed, and they are not subject to rust or decay. Gold itself is the most ductile of the metals, and silver readily lends itself to the hand of the artificer.

2. The ease with which they can be transported from place to place rendered them in ancient times by far the most convenient method of transferring wealth. In these days of a highly developed credit system with its transfer agencies this quality is of less importance, as few, save governments or bankers, employ them for this purpose, and then usually only in international transactions.

3. Their durability, unaffected as we have said by decay, they possess this quality in the highest degree of any money substance. It is considered probable that some of the gold in use amongst the Romans is still in use in our day. Roman copper coins have been in circulation in Spain within this century, and Roman gold coins are occasionally discovered in remote parts of the East.

4. They are easily refined and separated from impurities, so that any one unit is equal in value to any other unit. How immeasurably superior they are in this respect to a currency of cattle or skins may be seen at a glance.

5. They are able to be divided and reunited again as required, without appreciable loss, especially in the case of gold, which is unrivalled in this respect.

6. Their value is constant and less subject to fluctuation than that of most other objects. This is due in part to the widespread demand for them, in accordance with the well-known axiom of political economy that the wider the market the more stable the value.

7. Finally, they are easily distinguished from other substances and from each other.

The first records that we possess of the employment of gold and silver as currency show that they passed by weight. In the book of Genesis we read how Abraham weighed out silver to Ephron, the Hittite, in payment for land he bought, and Job also refers to the same practice. It lasted doubtless for many centuries, and left an impression on many existent systems of coinage which were all orginally connected with systems of weight. It is still the custom in international transactions.

But a step in advance was taken when the Government, to facilitate perhaps, the valuing of the tribute money, affixed its stamp to the pieces of metal in circulation. This was at first a certificate of weight merely, but soon came to include the fineness of the metal. For this is what coinage was originally confined to. The invention of this improvement is ascribed by Herodotus and Xenophen to the Lydians of Asia Minor, and by other Greek writers to Phidon, King of Argos. But many modern writers are disposed to consider the claims of China and India to have had coins in circulation at a much earlier date. The cash, or native coin of China, is supposed by some to have had its origin about 1120 B. C., and bronze Chinese coins are extant, bearing an inscription translated as "good for gold," for which a still greater antiquity is claimed. We have now reached a further stage of development when the coins no longer need to be weighed, but pass by tale, any number of them as the equivalent of a like number of similar pieces.

At this stage of progress the three money metals "par excellence," gold, silver and copper, have acquired exclusive control of the field of currency. In large transactions, and by the leading commercial states, gold and silver alone are used. There now arises the question of the relative advantage of these two metals for currency purposes. In olden times, when commerce was not so active, when prices were lower, and the average of transactions was much smaller than at present, it was argued with much force that silver was preferable, because it was more conveniently subdivided into the small coins necessary for the multifarious transactions of retail trade. On the other hand gold is even more indestructible than silver, and much more convenient when large sums are to be handled. Accordingly we find that as early as the 14th and 15th centuries, gold was dominant and the standard of value in large transactions, while silver remained the standard in domestic exchanges. In ancient times, however, the choice usually fell on the metal to be had in sufficient abundance; and so gold was principally used in Lydia and most parts of Asia Minor, silver in Lycia and Greece, and copper in Italy, Sicily and Egypt. But while some countries chose one metal, others coined both and sought to keep them in circulation together, often at a fixed legal ratio. The result of this has been, in instances too numerous to mention, both in ancient and modern countries, that the concurrent circulation lasted only so long as the legal ratio coincided with the market ratio. In obedience to a well-known law of money, when the market ratio changed, the metal undervalued by law disappeared, and the intended circulation side by side of the two metals proved to be only an alternate one governed by the bullion market. The working of this principle has caused many changes to be made in national standards, the legal standard being altered to correspond with the state of the currency. An instance of this occurred in England in 1816. By law a silver or double standard existed prior to this date, but through the undervaluation of silver the currency having been practically composed of gold for almost a century, the gold standard was then established by law.

Adam Smith, the well-known author of "The Wealth of Nations," was the first who suggested a practical method of combining the advantages of both metals, and keeping them in circulation together. The difficulty above referred to, which was then experienced in England in retaining the silver coinage, owing to its undervaluation, suggested to him the idea of a subsidiary coinage in which the metal should be rated above its value in proportion to the standard metal, and the coins made only a limited legal tender. His idea was that the silver coins should be made only a token money, and restricted as legal tender to the amount of one guinea in any one payment. Later on Lord Liverpool took up this plan and urged it with great force in his "Treatise on the Coins of the Realm." It was adopted by England in 1816. In this system we get the highest existing development of a metallic currency, to which has been given the name of "Composite Legal Tender System."

The advantages of a metallic system of currency are obvious. Its value is not subject to doubt when properly coined or affected by the credit of the issuer. The full weight coins are as available for foreign as domestic trade, with little loss or expense beyond the cost of insurance and freight. If the exportation and importation of the metals are unhindered by law, an automatic regulation of the foreign exchanges takes place under such a system, which tends to secure for each country its proportionate share of the currency of the world. The prices of commodities are also rendered stable and uniform within narrow limits throughout the world. When prices rise an exportation of the currency takes place to some other part of the world where it commands a larger share of the necessities and comforts of life; and when they fall the reverse operation sets in. On the other hand, in spite of this regulation, the value of such a currency is sensibly affected by increased world supplies of the coinage metals, and this will cause serious fluctuations during a long term of years, making it an imperfect instrument for such payments as are spread over a considerable period of time. It is also a matter of considerable expense, especially to a new country, to secure a sufficient supply of the precious metals to afford an adequate currency; and it is extremely doubtful whether it could be universally adopted without a disastrous readjustment of the present scale of prices.

We have now to consider another kind of currency, which, concurrently with the various modifications of a metallic currency, of which we have spoken, has sprung up at various times, and in different countries. Not dependent at all on its commodity value for its power to act as a currency, but at first in a representative capacity, and later with this much modified, or entirely absent, it has acquired a place in our modern systems unsurpassed by any metal. This currency in modern times is made of paper, but other substances, such as leather, or the bark of trees, have also been employed. Its use was probably suggested by the practice of levying seignorage on the coins, and by the circulation of full and light weight coins side by side at the same nominal value. It was possible to secure a considerable profit for the Government by increasing the seignorage; and from this it was an easy transition to an entirely representative currency, of which paper is the modern form.

But it must not be supposed that this form of currency is by any means a modern invention. It is said that some time previous to the Christian era, there was in circulation in China, a leather currency which was practically of this character. The following explanation of its origin seems a plausible one. Skins have been a very common form of currency in many countries, and being found a rather bulky and inconvenient mode of making payments, small pieces were cut from them of a peculiar shape. These when fitted to the hide to which they belonged, proved ownership, and the title to the whole skin passed with the piece. Convenience was at first the sole reason for this practice, but in the course of time, habit, a powerful factor in the circulation of any currency, led to its continuing in use when the representative character of the leather tokens had been lost sight of. About the first century of our era Chinese historians state that paper notes were issued against deposits of copper in the public treasury, at a time when the copper coins in circulation had grown scarce. These notes were probably of parchment, as although paper was used at a very early period in the East, it does not seem to have been employed as money, owing probably to the art of printing not yet having been invented. However, the use of a felted paper and later of silk paper is mentioned. There are said to be specimens extant of a note issue dating back to the 12th century of our era, but confirmation of this statement appears to be lacking. In the middle of the 13th century Marco Polo describes a currency which he found in existence in China, which was of paper made from the inner bark of a tree, the pieces of which were signed and sealed with great solemnity. In this connection it is interesting to note that in India, although it vied with China in the antiquity of the use of money, no trace of paper money is found until modern times. This is probably due to the fact that in India the people as a whole were unable to read, while in China they were compelled to learn.

Turning now to the Continent of Europe we find the first germs of a representative currency in what is known as the bank money of Italy, which at the time of which we speak was the foremost commercial nation of Europe. In 1171 was founded the Bank of Venice, which was at first practically only a state loan office. The coin received from the subscribers of this loan was credited to them at its bullion value on the books of the bank, and transfers of these credits could be made in any amounts. The coins then composing the circulating medium were of various kinds, light in weight, and uncertain in value. On this account payment by means of the transfer of a bank credit was decidedly advantageous and much sought after. In later years, all bills of exchange payable in Venice were by law made payable at the bank, which measure greatly increased the usefulness of the institution. Others of a similar character were founded in various parts of Italy in later years, among which one of the best known, by reason of its long and honourable history, was the Bank of St. George at Genoa.

The supremacy of commerce had passed by the beginning of the 17th century to Holland, and here again we find a similar institution set up to facilitate the exchanges of commerce. The Bank of Amsterdam was founded in 1609. The circulation of Holland was now in the same state as that existing in Italy, and a class of money changers had arisen to provide good money in the place of bad, and to certify as to the value of any sum of this mixed currency. The merchants, not having the necessary technical skill to enable them to dispense with the services of the money changers, the exactions of the latter class grew so burdensome as to be a decided check to commerce. To obviate this and to introduce system and regularity into the operation of money changing, the City of Amsterdam founded this bank, which was to perform these services for a stated fee.

Like the Italian banks, it received the current coin from its depositors, and credited them on its books with its bullion value, deducting its remuneration. The coin thus received was not traded with, but kept in its coffers, and the system proved both convenient and safe. At the time of its establishment it was enacted that all bills drawn on or negotiated in Amsterdam should be discharged in bank money, and so every merchant was practically obliged to keep an account with the bank. This created a great demand for bank money, and its advantages speedily secured for it a premium as compared with metallic payments. These advantages were: Its convenience, being paid away by a simple transfer on the books of the bank, without the risk and trouble of counting and carrying about the bullion; its steadiness of value, as compared with the fluctuating and uncertain coin currency; its safety from fire and theft, the City of Amsterdam also being responsible for it. It is not thought that any of the original deposits were withdrawn, because by so doing the holder would lose the amount of the premium on his bank money, which was at all times readily salable. In its later history it received bullion on deposit for safekeeping, and issued receipts for it. These receipts were transferable and held good for six months, after which time the original deposit of bullion could not be claimed, but fell to the bank at a price named in the receipt.

We next turn to Sweden, where, in 1658, the Bank of Sweden was founded by John Palmstruck and the Merchants' Guild. This was the first real bank of issue. The price of copper was advancing, and the copper coins of the country began to be exported. The Bank of Sweden issued notes to take their place. They were based on copper and redeemable therein, but no special reserve was held against them, and they soon depreciated in value. A few years later the bank declared them irredeemable, and not long after it ceased to exist, its business being transferred to the State Bank.

We now come to the time of the great commercial rivalry between England and Holland, and as the tide sets in favour of the former nation, we once more find an institution set up to facilitate the exchanges of commerce. This was the great Bank of England, established in 1694. But let us enquire into the state of things existing in that country at the time of its foundation. The goldsmiths had obtained a practical monopoly of such banking as there was. Having usually some place suitable for the custody of valuables, they were in the habit of receiving deposits of money for safekeeping. For these deposits they issued receipts which came in the course of time to be transferred from one holder to another. At first the title passed by endorsement, but later they were made payable to bearer, and passed by delivery only. In this way there grew up a business of considerable proportions, and the goldsmiths discovered that they could trade with a portion of the money thus received, and still retain enough to pay their notes as presented. In this respect these notes differed materially from the bank moneys of which we have spoken, and this difference was retained in the Bank of England notes when they began to be issued. Thus the Bank of England became the first great bank to emit and maintain a note issue based, not on full reserves of coin or bullion, but on the credit of the issuer. Its notes at first bore interest and were transferred by endorsement, but in 1697 it was given the right to issue notes payable to bearer such as they are at the present day.

Having now traced the development of a paper currency down to the establishment of one of the foremost issues of the present day, let us turn to consider the different varieties which have sprung up. These differ from each other in the extent and nature of the security behind them (which in some cases has come to be merely the credit of the issuer) as well as in the character of the issuer. From this last point of view they differentiate themselves into the two classes of government and bank issues, round the respective merits and demerits of which controversy has long raged.

Governments were quick to see the advantages that would accrue to them from such a monopoly of issuing notes as they had come to possess in the matter of coinage, and were not long in exploiting them to the fullest degree. The arguments urged on behalf of a Government issue of notes are as follows: By the common consent of all civilized states a monopoly of the coinage of a metallic currency has been conferred on the Government, and it naturally follows that the issue of a paper currency should be placed in the same hands. It is of the nature of a currency that its use is common to all the members of a State, and so anything affecting the value of the currency affects all its citizens. Therefore the Government should take upon itself to see that each individual is supplied with the necessary quantity of good money, and to do this it should have direct control of the issues. Likewise if any profit arises from the circulation of a paper currency, it belongs to no individual or corporation, but to the State itself, the citizens of which have given it its value by employing it as a circulating medium. What choice can there be between a note backed by all the resources of a strong and stable Government, the credit of which is undoubted, and the note of some banking corporation, scarcely known by name outside the district from which it derives its clientele? However undoubted the latter may be by those whose special training and local knowledge enable them to judge, how is the farmer, or mechanic, or ignorant labouring man, hundreds of miles away, to tell the value of the note?

It is hardly necessary to state that this is a very one-sided view of the question. We have already traced the close connection between the growth of trade and the need of a currency. We have seen in the history of Italy, of Holland, and of England an expansion of commerce demanding a more perfect currency adapted in supply to its increased exchanges. But an issue of Government notes has no direct connection with the demands of trade. Government notes will be issued to meet its current expenses at times when taxation is insufficient; or to remedy a temporary deficiency in the collection of taxes; or to aid in the construction of public works, such as railroads, bridges, or canals; or to discharge public liabilities in the way of subsidies, war expenditures, etc. The total amount of the issue will be fixed by law, and the amount outstanding is governed by the difference between the Government receipts and expenditures. Thus when business is brisk and profits are good, when the needs of trade require an increase in the currency, Government expenses will be easily defrayed by taxation, and a surplus will probably accumulate in the treasury, reducing the amount of the note issue outstanding. On the other hand, when trade is dull and times are hard, when only a minimum of currency is needed, the necessary taxation will be difficult to impose and tardy in collection, and Government expenditures will exceed receipts, increasing the amounts of the notes outstanding. In either case the tendency of a Government currency is in direct opposition to the requirements of trade. It also often happens under a democratic Government that the currency becomes the debating ground of political parties, when the approach of an election may prove sufficient to cast a doubt on the stability of the currency, and cause disastrous fluctuations in prices, which form a heavy handicap on commerce. In truth a Government may much better safeguard the interests of its subjects by leaving the issue of a currency to those whose business is in close touch with the requirements of trade, and surrounding it with such wise and salutary legal restrictions as experience may justify.

We have now to consider the question of the provision made for the redemption of a note issue, and how this affects its value. A paper currency which consists merely of certificates of deposit of coin or bullion, is governed by the same principles as apply to a metallic currency, to which we have before referred; provided, of course, that the coin is not of the token variety, but held at its bullion value. And to this form of a Government currency no objection can be taken on the grounds just given. So, too, an issue secured by such ample metallic reserves as experience has demonstrated to be necessary, differs little in its character, so long as no restriction is placed upon the redemption of the notes, either by law, custom or physical difficulties which in any way render the process difficult or inconvenient. But in the case of those currencies which are based on securities, just in proportion as the redemption of the notes, or their rendering into the money of international trade, is delayed or hindered, do the principles which govern an inconvertible currency come into play. It matters not what the securities may be, whether interest-bearing bonds, like the National Bank currency of the United States; or land, like the French assignats; or anything else which may be used.

The foremost distinction which marks an inconvertible currency is that it cannot be used in the discharge of debts outside the boundaries of the country in which it is issued. This is true of all paper currency, but it is not a very serious shortcoming when money of international use can be had in exchange for it on demand. It is this which renders nugatory the automatic regulation of the amount of the currency, and of the prices of commodities which takes place through the action of foreign trade under a metallic system. The amount of an irredeemable currency is regulated by law, and can only be increased by a change in the law. If there is a surplus there is no provision for its removal, and the principle widely known as Gresham's law comes into play. First, all the specie in circulation will be exported. If the excess still continue, prices will rise; in other words, the value of the currency as expressed in commodities will fall. This is depreciation, and now have been brought into action the immense possibilities of evil which have wrought such havoc at one time or another in almost every country of the civilized world.

Depreciation, once begun, is sure to increase rapidly. Distrust and doubt combine to urge it on. The only control of the issues is that of the issuer and the legal restrictions which bind him. If the Government has the power of issue, and most currencies not subject to redemption have been Government ones, the rise in prices will increase its expenditures, and thus increase the outstanding issues. At such times, too, there always arises a public cry for more money. Speculation is engendered, and the formation of corners in the market takes place. The working classes suffer through their inability to secure an increase of wages proportionate to the increased cost of living. The retailer takes advantage of the rapid increase of prices to obtain increased profits by raising his prices disproportionately. Here again the working man suffers most, and in his ignorance often attributes his troubles to what he considers a scarcity of money, and adds his weight to the pressure for further issues. So do the forces of evil act and react on one another, increasing demand and diminishing supply.

In contrast with the gloomy outlook of such a picture there are found to-day in various parts of the world, systems of paper currency said to have conduced much to the prosperity of the countries possessing them. Foremost among these countries is Scotland with her excellent banking system, to other features of which some of her prosperity may be due. Sweden is another country said to have derived material benefit from her bank note currency. Our own Canada is a third, destined, no doubt, to become more prominent in this respect as time passes. A glance at the difference between our experience and that of our neighbors to the south of us, with whom we are so intimately connected in a commercial way, should go far towards convincing the most sceptical. The financial panics to which they are periodically subject, the doubt and distrust thrown over the whole fabric of their financial credit by every recurring election, are eloquent witnesses on our behalf. One important feature of our currency is the constant redemption to which the notes of the banks are subject. The difficulty of securing this among so many small banks is one of the great obstacles to a satisfactory bank note currency in the United States. For if made unduly expensive to the banks, this redemption either would not take place at all or be much lessened in rapidity and efficacy. And yet it is the great safeguard which keeps the value of a paper currency on a par with gold. Although the practical limits which would have been imposed on the expansion of trade by a strictly metallic currency have doubtless long since been passed, and gold has become too bulky for the convenience of actual handling in modern exchanges; although the development of banking, the use of cheques, and the modern clearing house have more than kept pace with the enormous expansion of modern trade, and have rendered possible a vast economy in the use of the precious metals and even of note issues; yet the metals are still indispensable. The very refinement of credit which has made such economy in the use of gold and silver possible has led to a greatly increased sensitiveness to any doubt of a prompt redemption of note issues in money of international currency.

It can hardly surprise us, now that we have traced the intimate connection which exists between the very need of currency and the expansion and development of trade, to find that the banks are eminently fitted to be issuers of a currency which shall correspond with the requirements of trade. They themselves are the powerful instruments which render possible modern commerce. On them depends, to a great extent, its expansion. What we require is a currency, the volume of which shall be in direct proportion to the work it has to do, namely, the exchanges it has to make, thus keeping prices stable. This the banks are able to furnish and at least cost. They, too, are able to retire it when its work is done, for then it naturally gravitates to them. The great question, then, concerns those regulations which shall obtain for such a currency that undoubted security and prompt redemption which are so essential to enable it to properly perform its work.

Some of the most obvious regulations which have been tried with this end in view are not fully justified in practice. A special deposit or reserve of securities is subject to the objection that, even if ultimately good, they are not to be disposed of without loss, if at all, during a time of panic, when they are most likely to be called on for this purpose. So, too, a fixed minimum reserve is not applicable to the purpose for which it is held, without breaking the law, and the first sign of a resort to its use acts like a danger signal, and tends to precipate a panic. On the other hand the making of the note issue a first charge upon the assets of an issuing bank is an eminently wise and practical plan. The cream, so to speak, of the assets of a failed institution are thus pledged for the redemption of its notes, and if the issue has been confined within wise limits by proper legal restrictions, it is seldom that they will not suffice for the purpose with little delay. The equity of such a regulation is proved when we remember that the noteholder is not so free an agent in becoming the creditor of a bank, as is the depositor or other creditor. The depositor chooses his bank. The noteholder, especially if a poor man or belonging to the wage-earning classes, is subject to risk of loss if he attempts to discriminate against notes in common circulation, and is seldom able to judge correctly the relative values of the notes offered to him.

Another principle which so far, although employed only to a limited extent, has worked very well in practice, is the application to the issuing banks of the principle of mutual insurance. In return for the privilege of issuing notes they become reponsible, to a certain extent at least, for each other's notes. This system has been tried in New York State and is now in force in Canada. It is said to have been suggested by the regulations under which the Hong merchants of Canton were formerly allowed a monopoly of trade with foreigners. In return for the monopoly they became responsible for each other's debts, and the credit of a Hong merchant's bond became unrivalled throughout the world. We have seen the successful voluntary application of this principle by modern banks on several occasions in recent times.

To secure the immediate convertibility of the currency into money of international debt paying power, provision must be made for actual and inevitable daily redemption. In this way over-issues are rendered as difficult as possible. For this purpose the very power of competition, which under an unregulated system is foremost in bringing about over-issues, may usefully and effectually be employed. Compulsory redemption at easily accessible points, and a mutual return of each other's notes by the issuing banks, legally enforced if necessary, should be insisted on, and will readily effect our purpose. By thus harnessing the forces of competition and seeking to make them act more powerfully for the redemption than for the issue of notes, we have overcome the objection to a system under which competing note issues are allowed.

The chief objections to such a currency concern its security. We have already met that one which claims that the profit of a note issue should go to the State by showing that the losses of a nation through a poor or faulty currency system far outweigh any temporary profit derived from its issue, and that there are faults inherent in a Government issue. It is also urged that the facility of borrowing money by an issue of notes is a power too liable to abuse to be placed in the hands of a corporation greedy of private gain. That the liability to a sudden demand which exhausts the reserves will cause a stoppage of payments. And that as it is granted that it is difficult to refuse notes that have acquired a ready circulation, there should be something more solid and reliable behind them than the credit of a private issuer. We have sought to meet that which is valid in these objections in the regulations we have suggested for such a currency. But it may be well to consider what may be done to render the business of banking a safe one, and thus indirectly to safeguard the note issue, by removing unnecessary obstacles to the recovery of debt, in the same way in which a well kept system of recording liens on real estate is said to have given stability to the banks of Scotland

To sum up the advantages of such a note issue, we find that it is more convenient than a purely metallic currency, because of its lesser weight and bulk. Any person who is familiar with the silver dollar of the United States can readily realize this.

It is also cheaper than a metallic currency, because the amount of notes outstanding may be larger than the reserve held to redeem them, and this can be done to a considerable extent in ordinary times without impairing the immediate convertibility or ultimate solvency of the issue.

Thirdly, its volume can fluctuate more readily in proportion to its work than can any other kind of currency. In all newly settled countries where agriculture supplies a large part of the wealth and resources of the country, the season when the crops are to be moved is one which requires an immense amount of currency for which there is no employment at other seasons. The same is true to a limited extent of some other branches of trade, such as lumbering. It is only as a country grows older and its business interests become more diversified that the total volume of the exchanges acquires a more constant level throughout the year. A note issue secured by a first lien on the assets of the issuer, has here the great advantage, that the extra volume of the currency needed at certain seasons can remain unemployed in the tills of the issuer through the remainder of the year without loss.

We conclude then that a currency of notes issued by banks under such proper regulations and restrictions imposed by the Government as experience may have shown the wisdom of, together with a full weight coinage of full value in international trade in which the bank notes are redeemable, supplemented by a token metallic currency for small change, forms in its various combinations a system of currency which can most readily adapt itself to the varying needs of any country, and its commercial interests. But in thus sketching the broad outlines of that which seems generally desirable in such a system of currency for any civilized nation, it must not be forgotten that the details will be modified by the history and peculiar situation of each country ; and that the exact system which is best for one may not be suited to another. There is no existing system of which it can be said that it is the one which would be best for all nations, or even for any one in all stages of its growth. The special distinctions, the national characteristics which have sprung up as the outgrowth of the life and development of a people, are in all probability those best suited to it in its present state. Where there is national life there will be growth and progress, and to this a perfect currency system should hold itself ready to respond.

A. St. L. Trigge

GIVE AN OUTLINE OF THE BANKING SYSTEMS OF ENGLAND AND SCOTLAND, GERMANY AND FRANCE, AND DISCUSS THEIR RELATIVE MERITS.

BEING THE ESSAY IN COMPETITION II. TO WHICH THE FIRST PRIZE WAS AWARDED

BANKING is carried on in England by

I. The Bank of England
II. The joint stock banks
III. The private banks.

Let us consider first the Bank of England. It is the same as any joint stock bank issuing Bank of England notes, except that it has the Government account. Its capital is £14,553,000.

Its affairs are directed by a board consisting of a governor and deputy governor, who remain in office for two years, and twenty-four directors. By the Act of 1844 the bank was divided into two distinct and separate departments, viz., the issuing department and the banking department.

By the same Act the banking department was to hand over to the issuing department securities to the extent of £14,000,000, the debt due by the public to be deemed a part, and all gold coin and silver bullion not required, upon receipt of which the issue department was to give the banking department such an amount of notes as with those in circulation should equal the securities (coin and bullion) transferred to the issue department ; this statue has since been maintained, keeping the note of the Bank of England at a par with gold.

By the same Act, any banker issuing notes in 1844 should cease to do so, and the banking department could increase its securities by two-thirds of the amount withdrawn, so that now the amount of notes issued on security has been raised from £14,000,000 to £16,200,000, the profit on this additional sum accrues to the public.

The denominations of the Bank of England notes are 1, 5, 10, 20, 30, 50, 100, 200, 300, 500 and 1000 pounds.

The Bank of England is also required by the Act of 1844 to give notes for gold at the rate of £3 19s 7d per oz., to issue a weekly statement as to the liabilities: Proprietors' capital and rest, liabilities to the Government as shown by the public deposits; other deposits which are the sum of current or drawing accounts, and liabilities of the holders of the bank's acceptances, as shown by the amount of "seven day" and other bills.

As to assets: Government securities which show the amount of banking capital invested in Government securities; other securities which show the amount of investments made by the bank; and separately the cash assets, notes, and gold and silver coin, which show the amount of cash on hand for the current purposes of the banking department.

The proportion which the cash assets bear to the current liabilities (public and other deposits and bills discounted) is called "the proportion of the reserve to the liabilities," and is always a matter of great interest to the public; it is generally considered that this proportion should be about one-third.

The Bank of England does the Government business; to quote Adam Smith, "She acts not only as an ordinary bank, "but as a great engine of the State. She receives and pays the "greater part of the annuities which are due to the creditors of "the public, she circulates Exchequer bills, and she advances "to the Government the annual amount of the land and the "malt taxes, which frequently are not paid till some years "thereafter."

It opens current accounts, "drawing accounts" as they are called, for the receipt and payment of cash for persons who choose to keep money at a bank and draw cheques against it.

It affords its customers every convenience, buys and sells or takes care of securities, receives dividends of all kinds, makes payments anywhere required, takes charge of its customers' bills of exchange, the exchange of Exchequer bills, and receives plate chests, deeds and security boxes free of charge.

Although the accounts cannot be overdrawn, the bank will discount bills for its customers if considered safe, and will make advances upon such securities as it is in the habit of receiving;

no charge is made for the keeping of these accounts, as the Bank looks to the average balance of its customers to compensate it for the expense incurred therein.

The bank grants bills due at seven days' or sixty days' date for any amount, in various parts of England and on foreign countries, the only charge being the interest on the money.

All money collected through the country by revenue officers for customs, excise dues and taxes are paid into it; payments on account of the public service are made by orders issued on it.

The Bank of England has eleven branches, two in London and nine in the country, each of which is under the charge of an agent and sub-agent, and are subordinate to the parent establishment. They carry on the ordinary business of banking, such as receiving deposits payable on demand, transmitting money, receiving money for customers at all places, taking charge of securities, and discounting notes bearing two approved names.

Notes issued at a branch are redeemable only at that branch or in London, and the notes issued at the head office are redeemable only at that office. Besides the note issue of the branches they grant seven day bills or bills of longer date. The accounts are balanced every night exactly as in London, the balance and particulars of each day's transactions being sent to the head office duly by mail. A sum of money may be remitted between the branches. The branches remit the revenue which is paid over by the collectors at various places to London, where it is placed at the credit of the exchequer account.

Joint stock banks were first incorporated under the Joint Stock Act of 1826, renewed 1833, the chief provisions being: The number of partners was unlimited; the partners were to be liable for all the debts of the company to which they belonged, contracted during their partnership. They could carry on all kinds of banking business by issuing bills and notes payable on demand, but were not allowed to come within sixty-five miles of London. Such companies might issue unstamped notes upon giving securities to the crown, to make true returns of the amount of their issues, and pay the amount of the stamps due on them. They had to keep weekly account of the amount of notes in circulation, and make a return to the Commissioner of Stamps of the average amount in circulation every quarter.

By Act 1844 all existing banks of issue were to certify to the commissioners of stamps and taxes the place and name, and the firm, at and under which they issued notes during the twelve weeks preceding the 27th April, 1844. The commissioners were then to ascertain the average amount of each bank's issue, and it should be lawful for any such bank to continue its issue to that amount, provided that on an average of four weeks they were not to exceed the average so ascertained. Should any banker do so he would have to forfeit the excess. By same Act if two or more banks unite, and the number of partners of the united bank exceed six, they should forfeit their right to issue. Any banking company consisting of seven or more persons legally carrying on the business of banking before the passing of the Act may register under the Act.

Then, banks were of unlimited liability, but on account of the terrible results of the failures of Joint Stock Banks in 1857 the Legislature in 1858 passed an Act to extend the privilege of limited liability to banks, providing that: All banks which issued promissory notes were subject to unlimited liability as regards their note issue, for which they are liable in addition to the sum for which they are liable to the general creditors; also that every existing banking company upon giving thirty days' notice to each and every one of its customers may register itself under this Act; and that all companies formed or registering themselves under this Act must issue a statement of liabilities and assets on the first day of February and first day of August in each year.

In very few cases did the banks adopt the principle of limited liability, till after the catastrophe of the City of Glasgow Bank in 1878, which caused such consternation among the shareholders of banks that they used all their influence with the directors to make them adopt the limited liability system, and it was to aid this movement that the Act, Statute, 1879, was passed, which enacts that any unlimited company may increase the nominal amount of its shares; also that a limited company may declare that any portion of its uncalled capital shall not be capable of being called, and that all banks are subject to unlimited liability with regard to their notes in circulation. The privilege of note issue was conferred to banks which were lawfully issuing their own notes on 6th May, 1844.

The banking business done by the joint stock banks is very similar to that done by the Bank of England with the exceptions they do not keep such large reserves and they allow interest on deposits.

Private banks are run on the same business principles as joint stock banks, the main difference being that a private bank may not have more than ten partners, while a joint stock bank may have any number ; if a partner in a private bank should die his capital is withdrawn, whereas in the case of a joint stock bank his shares would be transferred, so that the capital of the bank would not alter ; all the partners of a private bank attend to its administration while a joint stock bank is governed by a board of directors. Private banks are not increasing ; in 1870 forty were admitted to the Clearing House ; at present the number is but thirteen. Unlike the joint stock banks they do not publish balance sheets, so the public know nothing of their business. The progress of the joint stock banks effectually prevents the formation of any new private banks.

The London Clearing House, founded between 1850 and 1870, is the place where the representatives of the different banks meet daily for the mutual exchange of cheques drawn upon and bills payable at their respective houses.

The Clearing House, as well as each banker, has an account with the Bank of England, and the balances due at the close of each days' business are settled by transfers from one account to another. A very great economy in the use of currency has resulted from these arrangements.

SCOTCH SYSTEM

The growth of banking in Scotland has been very gradual. It is a system of Joint Stock Banks with many branches. The first was founded in 1695, the second in 1727, and no new ones (with the exception of a few country ones) were formed till 1810. They expanded as the country increased in wealth, they grew as it grew, increasing their branches as the country needed accommodation. The following is a list of the Scotch banks, with the number of their branches, the amount of their paid-up capital and the year they were founded:

Bank	Paid-up Capital	Number of Branches	Founded
Bank of Scotland	£1,250,000	106	1695
Royal	2,000,000	125	1727
British Linen	1,000,000	103	1746
Commercial	1,000,000	103	1810
National	1,000,000	94	1825
Union	1,000,000	123	1830
Town and County	252,000	51	1825
North of Scotland	400,000	64	1836
Clydesdale	1,000,000	99	1838
Caledonian	150,000	23	1838

The first three are founded by charter. The Bank of Scotland is the first instance in the world of a Joint Stock Bank formed by private persons, for the express purpose of making a trade of banking, dependent on their own private capital and wholly unconnected with the State. By the Act of Scotch Parliament, 1695, it was allowed to lend on real or personal security at not more than six per cent.; and in case of non-payment to sell the security publicly, and to be able to transfer its stock freely. It was to be free from all taxes for twenty-one years.

Scotch banking was not interfered with till the Joint Stock Bank Act of 1845 came in force, by which Act: The Commissioners of Stamps and Taxes were to ascertain the average number of bankers' notes in circulation during the year preceding 1st May, 1845. Such bankers who were lawfully issuing their notes then were authorized to have in circulation an amount of notes whose average for four weeks was not to exceed the amount thus ascertained by the Commissioners, together with an amount equal to the average amount of coin held by the banker during the same four weeks. Of the coin, three-fourths must be gold and one-fourth silver. Should a bank exceed the legal amount it must forfeit the excess. If two or more banks united, they were authorized to have an issue of paper equal to the total amount of the issues of the separate banks, in addition to the amount of coin held by the united bank, and that the Bank of England notes were not to be legal tender.

There are some striking points of difference between the English and Scotch banks, for, while the former have a limited issue, the latter may issue to any extent, provided that, for the amount exceeding their authorized capital, they must hold an equal amount of coin. And if two or more banks were to unite they could have an issue equal to the total issues of the separate banks, but in England if the number of partners exceeds six they are not allowed to issue.

No bank notes in Scotland are legal tender.

The Scotch banks have branches in London, but are not allowed to issue their own notes there.

London is the pivot of the Scotch system, there they keep large reserves. Scotch merchants as a general rule accept all, or nearly all, their bills payable there as remittances to them from abroad come in the shape of bills drawn on London. Thus it has become a necessity for them to keep a London account. All Scotch exchanges are settled in London.

All Scotch banks are limited companies. The three chartered banks were always limited, and the others by the Act of 1879 registered themselves as such.

In regard to the note issues. The Scotch banks may issue £1 notes and upwards. The circulation of these £1 notes is very large on account of the herring fishery, which employs several thousand men, whose earnings are usually below £5. The business of the Highlands is carried on by £1 notes. The products of the country, which are cattle and sheep, grain, wood, kelp, etc., necessitate numerous transactions, in which the £1 notes are used almost altogether.

The expense of keeping current accounts is not very heavy in Scotland, on account of the customers using very few cheques. If they have many bills to meet during the day they (instead of drawing a cheque for each amount) draw a cheque for the total amount and pay their bills with cash.

Besides the ordinary run of banking business the banks allow what are called "cash credits." "A cash credit is an undertaking on the part of the bank to advance to an individual such sums of money as he may from time to time require, not exceeding in the whole a certain definite amount, the individual to whom the credit is given entering into a bond with securities, generally two in number, for the repayment on demand of the sums actually advanced, with interest upon each issue from the day upon which it is made." Cash credits are somewhat similar to accommodation paper, and range from £100 to £1,000. They furnish great facility to tradesmen and others in carrying on their business. They supply capital for various branches of trade, public works, etc.

The system of modern clearing house was begun in Edinburgh about 1752. The Edinburgh exchange is divided into two departments, the exchange for notes and the clearing house for vouchers. "The settlements of the note exchanges "are made by debiting or crediting the clearing house department daily for balances arising." "These sums are carried "forward in the clearing house department and continued until "a settling day wipes all out." The final settlements are made on Monday and Thursday. "The amounts in the note "exchange proper at Edinburgh are small when compared "with those in the adjoining clearing house, but it must be borne "in remembrance that the volume of transactions in the latter is "enormously swelled by the exchange vouchers, sent to their "head office by nine hundred branches throughout the country "in settlement of their provincial note exchanges."

The payments are made by the debiting bank sending instructions to its branch in London, to pay the branch of the creditor bank, four days after date, the sum required for the exchange, interest being allowed upon the exchange at the rate of two per cent. for each day.

The Bank of Scotland and the Royal Bank carry through the settlements upon alternate months.

GERMAN SYSTEM

The Bank of Prussia, founded 1765, was the first bank of issue in Germany. It was closed by liquidation in 1846, and by the Bank Act of 1847 was reorganized with the admission of private shareholders. Discount and war banks were organized in 1817 and 1819. In 1834 the Bavarian Wechsel and Hypothekenbank started as a bank of issue. It was followed by the Leipsig Bank, the Bank of Frankfort and numerous others, both private and banks of issue. " The banks were " mostly founded by stock-jobbers and speculators who gave " themselves little trouble in the responsible task of manning, at " so short notice, so great a number of new enterprises with " experienced, intelligent and honest directors."

The whole system was remodelled by the German Bank Act of 1875, when the Prussian Bank was reconstructed and carried on under the name of the Imperial Bank, some of the clauses of which are as follows :

1. The authority to issue bank notes could be obtained only under Imperial law.

2. There was to be no obligation to accept bank notes.

3. Bank notes were to be issued in denominations of 100, 200, 500 and 1,000 marks.

4. Every bank is required to redeem its notes upon presentation, at their full value, damaged notes are to be made good, that is if a person presents a greater portion than a half note.

5. Soiled or damaged notes may not be reissued.

6. Required the approval or direction of the Federal Council to allow a bank to call in, or withdraw its notes from circulation.

7. Banks of issue are not allowed to accept bills, buy or sell merchandise or current commercial paper on credit, nor to take security for the discharge of such business.

8. Requires banks of issue to publish a statement of their assets and liabilities on the 7th, 15th, 23rd and last day of each month, and to publish an exact balance of their assets and liabilities, together with statements of their profits and losses within three months at the latest before the end of their business year.

9. Should a bank's circulation exceed its coin reserve and the amount of notes prescribed in proportion to its capital, it must pay to the Imperial Exchequer a tax on the excess at the rate of five per cent. per annum.

12. The headquarters of the Imperial Bank are in Berlin ; it may have branches in any part of the Empire.

The following clauses relate to the Imperial Bank.

13. Authorizes the Imperial Bank to carry on the following business:

(*a*) To buy or sell gold and silver in coin or bullion.

(*b*) To discount, buy or sell bills of exchange (of not longer than three months maturity, requiring not less than two accredited vouchers) and bonds of the Empire, State or Municipal Corporations, of not longer than three months maturity.

(*c*) To grant interest bearing loans upon moveable security such as gold and silver or interest bearing and mortgage bonds, capital stock and shares of German Railway Companies, etc.

(*d*) Refers to buying and selling of bonds.

(*e*) To negotiate collections for customers upon security, to furnish payments and make orders or drafts on branch banks.

(*f*) Upon security to buy for outside parties precious metals and effects of all kinds, and after delivery to sell them.

(*g*) To receive money on deposit, with or without interest. Deposits at interest must not exceed the capital and reserve fund.

(*h*) To receive for custody objects of value.

14. Its notes are to be exchanged for gold at the rate of 1392 marks per pound.

15. It is required to publish its rates of discount and of interest on loans.

16. It is allowed to issue bank notes in proportion to its business needs.

17. It must keep a bullion reserve of at least one-third of its notes in circulation.

18. Requiring the bank to redeem its notes at all times in current German money.

21. The bank and its branches are exempt from State, revenue and trade taxes.

22. Capital stock of the bank is 120,000,000 marks; shareholders are not personally liable for its obligations.

24. The profits are distributed as follows:

A dividend of four and one-half per cent. goes to the shareholders.

Twenty per cent. of the surplus, if any, goes to the reserve, till the reserve is one-fourth of the capital; the remaining surplus is divided equally between the shareholders (whose total dividend shall not exceed eight per cent) and the Imperial Exchequer; anything further is divided in proportion of one-fourth to the shareholders and three-fourths to the Imperial Exchequer. The four and one-half per cent., if need be, may be made up from the reserve.

The next two clauses refer to the management of the bank.

25. A board of inspectors comprising the Chancellor of the Empire, President and four other members (one of the four being appointed by the Emperor and the other three by the Federal Council) watch over the affairs of the Reichbank.

26. The Chancellor of the Empire, or his representative as appointed by the Emperor, directs the administration of the bank, and next to him are the Imperial board of directors, who are appointed by the Kaiser for life.

"The Imperial Bank has two hundred and ninety-three branch banks in Germany; they are of four classes, namely:

1. "Branches in localities where bills of exchange are "bought and sold, and where circulation is active."

2. "Branches dealing only in loan business and negotiating "bills in banking centres."

3. "Branches with an exclusive business of loaning on collateral security."

4. "Branches which receive in payment the notes of provincial and issuing banks of contingent circulation still "extant."

As may be seen by Sections 25 and 26 of the Act, the Imperial Bank is essentially a State Bank, even more so than the Bank of France.

Sec. 13 of the Act covers the business of the bank as carried on by it. It discounts foreign and domestic bills, collects (charging a commission) money orders and cheques on domestic banking houses, and any paper payable in marks on a banking locality.

It grants short-dated loans (usually for not less than 500 marks) at a published rate of interest, requiring security in the form of merchandise, and certain specified commercial paper. Opens bank accounts for customers, giving an account book in which all transactions are entered. Cash deposits, collections, cheques, bills of exchange, bills purchased and loans furnished and entered in the bank account. No charge is made for the keeping of these accounts, but moneys thus handled yield no interest.

Commercial paper is bought and sold. Valuable securities and documents of every description are taken care of, as well as sealed deposits; fee is charged for the responsibility.

The discount rate for bills varies from three to five per cent., and the rate for loans one per cent. higher.

The Clearing House business of the Imperial Bank is very large. The first establishment was opened in Berlin in 1883, and it was followed by nine others. In 1895 they turned over nineteen billion marks.

On account of the limitations and penalties prescribed by the Act 1875, in relation to issuing notes, only eight banks, including the Imperial Bank, issue notes in Germany to-day.

The business of the non-issuing banks, beside current account transactions, consists in discounting bills, buying and selling securities, granting advances to customers, negotiating loans for Governments, as well as private undertakings, interest being allowed on nearly all deposits.

Besides the banks, there are Joint Stock Mortgage Banks. "They differ from mortgage associations in the matter of joint "responsibility, which is replaced by the feature of joint stock, "and yet they draw the greater part of their trading capital from "letters of mortgage which they are enabled to put into wider "circulation by reason of their handsome capital and constant "lending at the stock exchange and in the money market." "They do a large business in the way of discounting bills and "handling safe commercial paper." They grant loans only as a first mortgage.

Then there is the Prussian Maritime Association; it does the ordinary business of a bank. Its business is done chiefly among the poorer classes, negotiates various kinds of loans on paper securities and other dead pledges, receives money on deposit with or without interest, and it manages industrial enterprises such as flour mills, etc., and numerous co-operative societies, one of which, the Industrial Bank of Frankfort-on-the-Main, Limited, had a membership of 1,811 in 1892, each member liable to the amount of his shares at a thousand marks each. All these institutions help to carry on the vast business of the Empire.

FRENCH SYSTEM

The Bank of France is by far the most important institution. It was founded in 1800. It absorbed the Caisse d'Escompte, which issued notes payable to bearer and made loans. Before this, banking was carried on by individuals, mostly foreigners.

The capital of the Bank of France is 182,500,000 francs. It is almost under complete control of the State. The administration of the affairs of the bank is done by fifteen regents and three censors elected by the shareholders. They are presided over by a governor, who with two sub-governors are elected by the Chief of the State. The regents and censors exercise supervision over the detailed transactions of the bank.

In order to pass upon the merits of paper presented for discount there is a Discount Council of twelve members selected from among the merchants of Paris.

In compliance with the Act of 1857 the bank has at least one branch in every department of France.

The business of the bank consists mainly in discounting bills (requiring three signatures on each) of not longer than three months maturity, issuing notes, receiving deposits, taking charge of valuables for safe custody, issuing bank post bills, and making advances on bullion and on railway, government and municipal stocks. The bank collects dividend and interest coupons on the instruments on deposit, incomes on foreign bonds, makes payments on assessed stocks and exchanges stock certificates, etc.

The bank keeps an account with the treasury, the treasury has a permanent loan of 140,000,000 francs at its disposal. Security is given the bank in the shape of vouchers, beside this loan the bank carries on an open account with the treasury. The treasury pays in and draws out money just like an ordinary account. The bank receives State funds at its branches and transfers them to such places as the Minister of Finance may desire. All transactions are performed gratuitously.

The bank is liable to all taxes the same as imposed on other banking houses.

The bank has the monopoly of the note issue. It issues notes only as equivalents for commercial paper or loans on securities, or in gold or silver.

The coin in the Bank consists of both gold and silver, receiving them on exactly the same footing. Four five franc pieces may be exchanged at any time for a twenty franc gold piece, so it is called the double standard. It is of great benefit to the bank, because if a demand for gold be manifested abroad, the bank does not have to raise its discount rate like the Bank of England, for it has the option of redeeming its notes in silver, and it may exact a premium for the delivery of gold.

A maximum amount of four thousand millions is fixed by the Government to the note circulation of the bank, but provided these limits are not exceeded the bank is not bound by law to keep any proportion of bullion whatsoever. As a rule the bullion held is a very large amount, thus in 1894 the average circulation was 3,476,500,000 francs, and the average coin on hand was 3,083,700,000 francs.

Though the Bank of France is the most important, there are several other institutions which have attracted large deposits, and are always ready to discount paper as credit institutions. They offer a formidable resistance to the bank.

The first joint stock bank was the Comptoir d'Escompte. It was founded in 1848, because the rule of the State Banks required three signatures on all bills for discount, partly excluding purely trade bills, so on its commencement it acted as an intermediary between the traders and the banks, but gradually expanded into a regular bank.

The following is a list of the principal joint stock banks, with the capital and the number of their branches.

	Capital in francs	No. of Branches
Comptoir d'Escompte	80,000,000	14
Credit Foncier	155,000,000	1
Credit Industrial, etc	60,000,000	8
Credit Lyonnais	200,000,000	108
Societe Generale	120,000,000	177
Societe Marseillaise	60,000,000	2
Banque d'Escompte de Paris	100,000,000	1

These are the principal factors in French banking. The French law of 1867, which governs the establishment of companies with limited liability, among other things states:

"No company can be registered until the whole of its capital has been subscribed, and one quarter paid up, and that the directors are liable to the shareholders."

Among the banks mentioned the Credit Foncier was intended to make advances on real estate, but when its monopoly ran out it was not renewed ; that class of business is now done by other establishments. Besides its capital of 155,000,000 it has power to raise money by obligations, but the law limits its right to receive deposits to eighty million francs.

The Chambre de Compensateure des Banquiers de Paris (Clearing House of the Paris Banks) was founded in 1872 on the same principles as the Clearing House of London.

Practically clearings are done through the Bank of France. The French people use so few cheques that the clearings do not amount to much.

RELATIVE MERITS OF THE DIFFERENT SYSTEMS

So much for the different systems. Now let us discuss their relative merits. Starting with the English Banking System we find that the Bank of England keeps the final reserves of the country. All London Banks keep their reserves on deposit at the Bank of England, thus being relieved of the responsibility.

" The same reason which makes it desirable for a private " person to keep a banker, makes it also desirable for every " banker as respects his reserve to bank with another bank if he " safely can." The London bill brokers lend most of their money and deposit the rest with the Bank of England or some London banker. Not only do the London banks keep their reserve there but so do the country banks. They only keep enough cash on hand to transact their daily business because the less cash they keep lying idle the greater will be their profits. " They send money to London, invest a part of it in " securities, and the rest with the London bankers and bill " brokers." The habit of the Scotch and Irish banks is much the same ; all their spare money is in London, and is invested as all London money now is, and therefore " the reserve in the " Banking Department of the Bank of England is the banking " reserve not only of the Bank of England but of all London, " and not only of all London but of all England, Ireland and " Scotland, too." " On the wisdom of the directors of that one Joint-Stock Company it depends whether England shall be solvent or insolvent." The directors of the bank are in a singular position. On the one hand a great national opinion requires them to keep a large reserve ; but on the other hand an equally strong pressure pushes them in the reverse way and inclines them to diminish the reserve. That is quite natural as they want to make a good dividend for their shareholders ; the more money lying idle the less the dividend. The proportion of this money lying idle is very large compared to the reserve of other Joint-Stock Banks of England. For instance, the London and Westminster Bank has only 13 per cent. of its liabilities lying idle, while the banking department of the Bank of England has over 40 per cent. So great a difference in the management causes an equally great difference in the profits.

London is the Clearing House of foreign countries. " The " number of mercantile bills drawn upon London incalculably " surpasses those drawn on any other European city." It receives and pays more than any other place, and is therefore the natural Clearing House. At whatever place persons make payments, there they have to keep their money, so a large deposit of foreign money in London is now necessary for the business of the world ; thus London has a very heavy liability to foreign countries.

By the Laws of England legal tenders are gold and silver coin and Bank of England notes. The number of attainable bank notes by the Act of 1844 allowing the Issue Department to issue a certain amount against Government securities, for the rest bullion must be deposited.

The Bank of England cannot increase the currency in any other manner. Three times the Act has been suspended because the Banking Department was reduced, in

1874 to	£1,994,000
1857 to	1,462,000
1866 to	3,000,000

The Banking Department could not have survived if the law had not been broken. The main trouble is that the issue is inelastic, and for these reasons we must consider it a weakness in the English banking system.

The system of banking in England has suffered on account of the monopoly of the Bank of England. If it had not been for this monopoly " there would have probably been thirty or forty great banks in the metropolis, with ramifications and branches all over the country. It would in fact have been the Scotch system on a much larger scale, one commensurate with the greater magnitude of the country. It would have been one great monetary system. If this had been the case they would have been acted upon immediately by the exchanges. London being the centre of the exchanges any drain of gold would have caused immediate measures of counteraction, which would have been propogated and enforced by the parent establishments all over the country. Thus under a natural system any effect in London would have vibrated through all England, and no country banks could possibly have acted in opposition to those in London. This is the result to which the banking system of the country is slowly gravitating, and which it will ultimately assume."

Turning to Scotland we find it to be a system entirely different to that of England, being that of a small number of banks with ramifications all over the country. On account of the small number of head offices it has been easy for the banks to make arrangements among themselves to regulate their business. It would be difficult for a bank of doubtful solvency to do business amongst them. Thus check can be given to undue speculation and effectually prevent the abuses connected with the rediscount of fictitious bills. An uniformity in the practice of the business has been obtained throughout the whole of Scotland.

Branches are a great benefit in disbursement of capital, for instance, in one part of the country where there are no industries or manufactories, capital will naturally accumulate, and on the other hand another part of the country may be suffering from a dearth of money to carry on its numerous industries. Now a branch bank can make it very advantageous for investors and borrowers by gathering capital in one place and disbursing it in another; for which reason a branch bank is superior to an independent bank. An independent bank if it were situated in a place where much capital is lying idle would have to use a third party to employ the money deposited with it; or should it be in a busy manufacturing place where money is needed to carry on the different industries, to supply these wants it must obtain money from other sources, possibly by getting its bills discounted. In either case it cannot offer such favourable terms as a bank with branches.

Greater facilities are afforded customers for receiving and paying money, especially when a bank has (as all Scotch banks have) an office in London.

The majority of bills drawn by foreign countries in the United Kingdom are made payable there, so a customer may have a credit at the London branch, and is enabled to make his cheques and accept his bills payable there.

By branches, the facility for depositing is brought nearer the depositor. An office in one or two of the large towns would never have brought them in contact with the mass of depositors, but by opening up branches throughout the country they gather deposits from every source. By means of "Cash Credits" they have helped along the new men and new industries whose labour and aptitude only required the aid of capital to render them productive and to increase in time to the amount of deposits.

" The system of branches has rendered the 'Cash Credits'
" method of making loans more feasible, because it is com-
" paratively there where most people of any means at all keep a
" banking account, to find out the position of the guarantor, and
" as the sureties are more likely to favour the account being kept
" at the same bank or one of its branches the bank can always
" know how the guarantors stand."

All these reasons and the large number of branches possessed by Scotch banks tends beyond doubt to their stability and prosperity. So much for the advantages.

Amongst the disadvantages the most obvious is the extended liability incurred by a bank in opening a branch. A bank with branches is like a chain, only as strong as its weakest link. So a run on one of the branches is apt to extend to the others, and so a bank may be brought to the ground, and a loss may fall on the bank, through the failures in a particular trade located in districts where it has established branches. Then there is the difficulty in regulating the affairs of a branch. It is possible that a bank manager may commit his bank to transactions which may prove heavy losses.

A bank with a number of branches is required to keep a larger amount of cash on hand, lying idle. Just what the amount should be depends in a great measure on the class of business done by them, and on the wants and requirements of the district in which it carries on operations.

The Scotch system of issue is much better than the English, as the limit fixed by Act 1845 may be overstepped as long as an amount of gold equal to the excess is reserved; this makes the circulation very elastic, and by the Clearing House system of exchanging notes among the different banks the circulation is kept down.

The one pound note has been a great advantage to the Scotch banks. By its means the Scotch banks have completely adapted themselves to the wants of the greater number of their countrymen. Cheques are not drawn to the same extent in Scotland as in England, notes being used instead.

In Scotland the banks take deposits from £1 and up, while in England in the majority of cases no amount is taken for less than £10; and not only is the first deposit limited, but a depositor can only increase his deposit by £10 or more at a time, so the thrifty man is virtually closed out. After discussing the advantages (which far outweigh the disadvantages) and disadvantages of the Scotch system I can only come to one conclusion, that is that it is far superior to that of England.

In Germany, unlike the English system, the circulation exceeds the deposits. The Reichbank pays (under ordinary circumstances) its notes at its branches, but every independent bank is required to redeem its notes at an agency in Berlin or Frankfort in addition to redeeming them at its own counter. The issue is based on a fixed limit, which may be exceeded upon paying a tax for the excess.

In England the Bank of England is the banker of the state, but in Germany the Reichbank is essentially a state bank, and is subject to Government control. This State policy largely hampers its action.

The Reichbank in order to prevent the withdrawal of gold from its vaults raises its rate of discount, which is similar to the English method, but should this fail all they have to do is to hint to the financial houses who are desirous of exporting, that they must not persist in doing so, as it is injurious to the state. Such a hint coming from the Reichbank is seldom lost.

The business of the Bank of Germany is similar to the Bank of England, except in the matter of issue.

The chief objections to the system of the Imperial Bank are its control by the Government, and the restrictions as to its stocks of gold.

The German banks are regulated by the same statute under which the Imperial Bank was formed under separate clauses. The issuing banks then in existence continued to issue, but only in the State which granted the charter, unless they kept one-third covered in gold and two-thirds in bills, besides redeeming their notes at Berlin and Frankfort as well as in the place of issue. This is quite like the voluntary action of the English country banks of issue, most of which arrange to have their notes redeemed in London.

In Germany, although the banks have not thrown out branches to the same extent as in England and Scotland, yet there is an increasing tendency that way. The Imperial Bank is well secured by 240 branches of different grades which do business all over the Empire and far outnumber the independent banks of issue and their branches. "It issues five-sixths of the "circulation, and in a country so little developed as Germany "this fact alone shows that it absorbs a large part of the "banking business of the country." It has a large share of the deposits of the country, acquired no doubt by its extensive network of branches. Its business of holding deposits after notice has lapsed, but has developed actively its current accounts, two-thirds of this business being done by its branches.

Turning to France we find predominant the Bank of France; a State bank and having a monopoly of the issue. Its notes have reached the enormous amount of £120,000,000 sterling, against which it holds rather more than £100,000,000 in gold and silver. This large reserve is more of a military necessity than a banking reserve. The Bank of France holds a greater reserve than any other bank of issue, but it would be a mistake to reason that all other banks should hold the same proportion as the gold locked up in the Bank of France is quite unavailable to commerce.

On account of the double standard (gold being equal to silver) if any demand for gold arises all the Bank of France has to do is to pay out silver and demand a premium for gold.

The blemish of the system of the Bank of France, like that of the Imperial Bank of Germany, lies in the fact of its complete control by the Government. In this point the English system excels that of Germany and France, in so far that it is under no control by the Government. It simply does the business of the Government.

The law of France relating to the establishment of companies with limited liability has a very good provision, namely: that no company can be registered until the whole of its capital has been subscribed and one-fourth paid up, and another provision making directors liable to shareholders. The defect in this law is " the facility afforded for the promotion of companies " with a merely nominal responsibility on the part of the share- " holders for uncalled capital." For instance, two of the largest institutions, the Societe Generale and the Credit Lyonnaise, have only half their capital paid up, the remainder being only available at the option of the shareholders. So in event of liquidation the security afforded by uncalled capital might prove altogether illusory.

The Bank of France has branches in every department, " but the country is indebted principally to the Societes for such banking provision as is necessary for the trade of the country," most of them having large numbers of branches.

In conclusion I might say that after considering the strong points, the advantages and disadvantages of the different systems I find that the Scotch system is the most firmly rooted, the most natural system and the best adapted for the requirements of its country, and it is therefore to my mind the most perfect of the systems that have been discussed.

H. B. Robinson

QUESTIONS ON POINTS OF PRACTICAL INTEREST

THE Editing Committee are prepared to reply through this column to enquiries of Associates or subscribers from time to time on matters of law or banking practice, under the advice of Counsel where the law is not clearly established.

In order to make this service of additional value the Committee will reply direct by letter where an opinion is desired promptly, in which case stamp should be enclosed.

The questions received since the last issue of the JOURNAL are appended, together with the answers of the Committee:

Defacing a Dishonoured Cheque

QUESTION 364.—A cheque has been returned dishonoured, and is charged back to the account of the customer from whom it was received. When charging it back the ledger-keeper marks the cheque with the folio and his initials. The cheque is subsequently honoured by the bank on which it is drawn, but some difficulty is created by the figures and initials already placed on it. Do you not think the action of the ledger-keeper in question open to criticism?

ANSWER.—The action was certainly open to criticism. We do not think it is a good practice to treat a dishonoured cheque or bill as the entry voucher in debiting it back to the customer, as the item is thereby liable to be cancelled or mutilated.

Security under Section 74 and Chattel Mortgage Acts

QUESTION 365.—In section 72 of the Bank Act a lien acquired by a bank on ships is subject to the law of the Province. No mention of the Provincial laws is made in section 74. Must security taken under this section be registered, if the Provincial laws require such registration?

ANSWER.—No. The powers given by the Bank Act under section 74 override any provisions in the Provincial Statutes respecting the registration of liens.

Acceptances payable at a bank

Question 366.—Has a bank a right, without special instructions, to charge to the customer's account at maturity, a note or accceptance which he has made payable at the bank. Is such note or acceptance to be regarded as an order on the bank to pay the same?

(2). Would your answer apply to past due notes or acceptances?

Answer.—A customer who makes his acceptances payable at a bank thereby authorizes the bank to pay the same at maturity, but it is clear that such an acceptance only gives authority to pay, and does not impose a duty.

Duty to pay a customer's acceptances for which sufficient funds are on hand might, however, arise out of the course of dealing between him and the bank.

(2). The bank should not pay an overdue acceptance without instructions from the acceptor. His relations to the other parties on the bill may be completely changed by its being overdue. See Question 210.

(Note.—It has been said that in the Province of Quebec a customer's note cannot be charged to his account except with his special authority, and above answer is without reference to that province.)

Acquisition of Warehouse Receipts or Bills of Lading

Question 367.—Which do you think is the preferable method of acquiring title to Warehouse Receipts or Bills of Lading; a transfer by endorsement of the party to whom the goods are deliverable, or a provision in the Warehouse Receipt or Bill of Lading making the goods deliverable to the order of the bank?

Answer.—We do not think there is any difference in the effect of the two modes of acquiring title.

Cheque payable to John Smith, guardian for Mary and Patrick Brown, endorsed "John Smith, guardian"

Question 368.—A cheque made payable to "John Smith, guardian for Mary and Patrick Brown" is endorsed "John Smith, guardian." Is this sufficient?

Answer.—We think the full description is unnecessary, and that if he endorsed simply "John Smith," without any addition to his name, it would be a valid discharge.

QUESTIONS ON POINTS OF PRACTICAL INTEREST

FORM FOR QUESTIONS

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diting Committee

Journal of the Canadian Bankers' Association, Toronto.

Please give your opinion on the following point by mail* / in the next issue of the Journal

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er is desired by mail, stamp should be enclosed.

Identification of the payee of a cheque

QUESTION 369.—A cheque drawn on the Bank of ——, Montreal, payable to John Smith or order, is presented by a party claiming to be John Smith, but who cannot procure identification. Is the bank in question justified in refusing to pay the cheque on these grounds?

ANSWER.—This point was fully discussed in the answer to question 43 (Volume IV, page 95). The bank is entitled to delay payment until it can satisfy itself of the payee's identity, but it is bound to do what is necessary, and within a reasonable time. If the payee is absolutely unknown to any person in the place, the bank should doubtless refer to the drawer for instructions.

The point is one which is not usually pressed to its ultimate logical conclusion, *i.e.*, while it is the bank's duty to satisfy itself as to the payee's identity, the payee is equally interested in satisfying it, and usually for his own convenience provides the necessary proof.

Joint and Several Note—Maker's Rights as Surety

QUESTION 370.—A, for B's accommodation, joins with the latter as joint and several maker of a note in favour of C. At the time of its delivery to C the latter has notice of the relation in which A and B stand to each other. B does not meet the note at maturity. Is it necessary in order that C may preserve his rights against A that A should have notice of dishonour?

ANSWER.—It is not necessary that A should have notice of dishonour in order to preserve C's right to recover from him. A has the ordinary rights of a surety, but not of an endorser, and his liability to pay the note continues without notice of dishonour, because he is a promissor thereon.

Individual using Trade Name

QUESTION 371.—John Robinson carries on business under the name of "The Rochester Pork Co." for which he keeps a separate set of books. He has other assets which he treats as private assets not belonging to the business.

If a note were signed by him

"The Rochester Pork Co.
"per John Robinson
"John Robinson"

would this be in any sense a joint note, and would both have to be sued in case of non-payment?

ANSWER.—In this case "The Rochester Pork Co." s merely another name for John Robinson, and the assets of the Co. are Robinson's personal assets, on precisely the same level as those which he treats as his private estate. The note is of no more force than if signed "John Robinson" alone.

If suit were brought against John Robinson on such an obligation the property which he holds either under the name of The Rochester Pork Co. or under the name of John Robinson would be liable.

Alteration of date of maturity—Days of grace

QUESTION 372.—A bill dated October 1st, payable 30 days after date, is, with the consent of all parties, accepted by the drawee as payable November 15th. Does the acceptance carry three days of grace, making the bill due November 18th.

ANSWER.—Yes. November 15th is under such conditions the "time of payment fixed by the bill," and the acceptor is entitled to three days grace. (Bills of Exchange Act, Sec. 14 a).

Form of Endorsement by Attorney

QUESTION 373.—Does a Power of Attorney authorizing John Jones (not a member of the firm) to sign cheques for Smith & Coy., entitle him to sign the firm name without adding his own name or initials as Attorney?

ANSWER.—One who is lawfully authorized to sign for Smith & Company can certainly bind them by simply signing their name "Smith & Company", but it would be unwise to accept such a signature, because it does not record the name of the person by whom it is made, or the nature of his authority.

Assignment of Book Debts

QUESTION 374.—Is an Assignment of Book Debts to the bank, as the law now stands, valid as against other creditors?

ANSWER.—We know of nothing to prevent the bank acquiring security of this kind. If given in contravention of any statute respecting preferences or insolvency it would of course be subject to attack under such statute.

Savings Bank Receipts—Payment to Holder

QUESTION 375.—A savings bank depositor signs a receipt in the usual form but loses it in the street. The finder presents it at the bank where the account is kept and gets the money. Have they a right to charge it to the depositor's account?

Answer.—We think not. The receipt is not an order on the bank to pay the money to the bearer, and is only a valid discharge if the money has been paid to the depositor or to someone authorized to receive the money on his behalf. If he wants the amount to be paid to another person, he should, beside furnishing the receipt, add an order to that effect.

Pass Books by Mail

Question 376.—Could we not get legislation under which pass books, with or without vouchers, could be sent by book-post instead of letter-post?

Answer.—Such a classification would be practicable if the Postmaster-General chose to take the necessary steps, but we should suppose that the objections to sending pass books and vouchers in such a way that they could be examined by the clerks in the post office, through whose hands they pass, would make it inexpedient to adopt the practice even if it were permitted.

Moneys deposited in Trust—Right of Beneficial Owner to Control

Question 377.—An account is opened in the following name, "John Smith, in trust for Springtime Fire Brigade." In accordance with the rules of the Fire Brigade all cheques have to be countersigned by W. Brown, Chief. Smith draws a cheque to his own order for the balance of the account without Brown's countersignature. Is the bank justified in refusing this cheque until countersigned? What is its position if it should pay it without Brown's signature?

Answer.—It is not apparent from the statement in what way or for what purpose the by-laws have been communicated to the bank, but it would seem clear that the facts justify the bank in refusing to pay without Brown's signature. Smith could scarcely complain of the refusal, as the money belongs to the brigade.

The bank's position if it pays the cheque without Brown's signature would depend on the circumstances. If it could be shown that the deposit was made and held upon the special contract that cheques upon it should bear Brown's signature as well as Smith's, we think it would be difficult for the bank to escape liability for practically joining Smith in a breach of his trust. It seems needless to say that it is unwise to take a deposit without having it made quite plain on whose order it is to be repaid.

Endorsements by Partner in a Firm—Rule 2 of the Association

QUESTION 378.—A cheque in favour of Smith, Brown & Company is endorsed with a rubber stamp "Smith, Brown & Company, per ———," one of the firm signing his name underneath. Should this endorsement be guaranteed under the rules of the Association?

ANSWER.—Under the last clause of Rule 2 the absence of words indicating the authority of the person signing makes the endorsement irregular, and therefore one which should be guaranteed. To meet the rule the partner endorsing in the usual manner should add such words as "one of the firm." It must be remembered, however, that the rule in question is largely for the protection of the depositing or presenting bank (see Rule 10), and if the paying bank knows as a matter of fact that the party endorsing is a member of the firm it would be hypercritical to require the guarantee.

Cheque Lost in Mail—Rights Against Customer from whom Received and Against Endorser

QUESTION 379.—A customer deposits a cheque drawn on an out-of-town point, which is duly credited to him, and sent by mail for collection. It is lost in the mails, and drawer refuses to give a duplicate unless the bank indemnify him.

(1) Is the bank not entitled at once to charge the amount of the lost cheque against the customer's account?

(2) Is the bank under any obligation to give the required bond of indemnity?

(3) Should not the customer give the bond?

(4) If the cheque had been payable to another party, who endorsed it to the customer, how can he be made responsible to the bank?

ANSWER.—The bank cannot charge the customer's account with the lost cheque unless it has an understanding with him that although it has credited the amount to him (*i.e.* has cashed or negotiated the cheque) it was acting as his agent in collecting it. In the absence of a special contract the bank has only the remedy which it would have against any endorser; it must procure a duplicate from the drawer, present it, and if dishonoured give the customer due notice. Possibly if a "copy" is presented under Section 51 (8) of the Bills of Exchange Act, and the Drawee Bank replies "No funds," and the cheque is protested, the bank would have an immediate right of action against the endorser, and could charge the amount to his account.

(2) The bank, as holder, is the only party who can obtain a duplicate and must give the security. (Section 68).

(3) The customer is not concerned until the bank has established its right to charge him, as above described.

(4) An endorser on a lost cheque who comes between the drawer and the customer may be made to endorse a duplicate (on suitable indemnity being given), or he may be sued, and under Section 69, cannot set up the loss of the cheque, if indemnified.

Payment of a Countermanded Cheque—Responsibility of Officers

QUESTION 380.—The teller and ledger-keeper in a bank have both received a valid notice to stop payment of a certain cheque. It is presented to the teller for payment, and without requiring the holder to get it marked by the ledger-keeper, as provided in the rule, he pays it. It is subsequently charged to the account by the ledger-keeper. Both officers have overlooked the notice stopping payment. Which should be held responsible?

(2). If a teller paid a forged cheque without requiring it to be marked by the ledger-keeper, and the latter subsequently charged it in the account without discovering the forgery, on whom would the responsibility rest?

ANSWER.—So far as the bank is concerned the loss if any was incurred as soon as the teller paid the item, and he should be held responsible. The ledger-keeper's act in charging the cheque to the customer's account would not change the bank's position, or relieve the teller from his responsibility, but if under the circumstances it could be fairly held that the ledger-keeper's negligence deprived the teller or the bank of an opportunity of recovering back the amount, the bank should in justice to the teller hold the ledger-keeper responsible for a portion of the loss.

(2). We would take a similar view in this case.

Note not Payable to "Order" or "Bearer"

QUESTION 381.—A note is drawn payable to "John Jones" simply, the words "order" or "bearer" being omitted. Is such a note negotiable? Does the same rule apply to a cheque?

ANSWER—A bill or cheque so drawn is payable to "order" (Sub-sec. 4, Sec. 8, Bills of Exchange Act.)

Claim on Estate for Paper Endorsed by Insolvent

QUESTION 382.—A bank holds business paper endorsed by and discounted for a customer who has assigned. The paper will probably all be ultimately paid, although the parties may ask some renewals. Should the bank treat its claim as fully secured, and not rank on the estate, or should it rank and put a value on the security?

The Assignee might take the security over at an advance of ten per cent. on the valuation, and this, while it might prove advantageous to the bank if the notes were not all good, would be the reverse if they were ultimately paid in full.

Answer.—The question involved is purely one of expediency. The bank should certainly get some dividend from the estate to hold as an indemnity against loss, although it would be bound to return it if the notes were ultimately paid in full by the promissors. Most banks would under the conditions described value their security at such an amount that if it were taken over by the Assignee with ten per cent. added, their debt would be practically covered.

Item Outstanding for Seven Years

Question 383.—A customer's account shows a debit entry outstanding for seven years. Assuming it to be a marked cheque, has the obligation of the bank to pay it ceased under the Statute of Limitations? The customer claims that the amount should be credited back to his account. What is the proper course to pursue?

Answer —While the bank could not be sued on a marked or accepted cheque after the period mentioned, it would nevertheless be contrary to the usual practice of banks to take advantage of this defence. We think, therefore, that unless it can be established that the cheque never passed out of the drawer's hands, he should not have the amount refunded to him. If he passed the cheque away and got value for it, he clearly has no further interest. He has no right to insist on the bank sheltering itself behind the Statute of Limitations, and it is also to be remembered that something may have happened to interrupt prescription of which the record has been lost, *e.g.*, the holder may have written to the bank asking if the marking still held good, and may have had such a reply as would establish a new date from which the statute runs.

Sterling cheque on Canadian bank

Question 384.—A man in London draws a cheque on a bank in Canada for so many pounds, shillings and pence. At what rate should it be paid?

Answer.—At the current rate for sight drafts on London at the place where it is payable on the day on which it is presented for payment. (Section 71, 2 (d) Bills of Exchange Act).

(Note.—The copy of cheque sent by our correspondent is dated at a town in Canada, but we have answered the question as put. If drawn *in Canada* in sterling, the section quoted would not apply).

Current rate of exchange—60 day rate

Question 385.—In many instances demand letters of credit drawn in Great Britain payable at the "Current Rate of Exchange" are redeemed in Canada at the 60 day rate. I can see nothing to justify this. The usance between Canada and Great Britain is a thing of the past. In the old days of sailing vessels the interpretation of "Payable at the Current Rate of Exchange" referred to the 60 day rate, but the Atlantic Cable or "Ocean Greyhounds" were not thought of in those days.

The question I would like answered is this: "Would the courts sustain the action of the Banks in only paying the 60 day rate for demand bills payable at the Current Rate of Exchange?"

Answer.—There are two distinct aspects from which this question can be considered; the first is the legal meaning of the phrase "Current Rate of Exchange;" the second is the fairness or otherwise of the contract when so interpreted. We have already discussed the first aspect fully, and can only say that we think the Court would find the meaning well established, and would not discuss its abstract fairness. The phrase has been in use for a century or so; its universally accepted meaning, up to recent years at any rate, is well-known; it is very generally accepted now as meaning the 60 day rate; and it is difficult to see just at what point it could have ceased to have that meaning.

As to the fairness of such a rate, that depends on the circumstances. One who buys a sterling draft in England and through ignorance expects to get as much Canadian money in exchange as if he had brought sovereigns is no doubt disappointed, but why should he expect this? He gets his £100 bill or credit for £100; even if he buys it at an inland point the commission to the local bank is (usually) paid by the bank which draws the bill or issues the credit. When the English market rate for money is low and the difference between the sight and 60 day rate narrow, there does not seem to be any hardship in the bank getting that difference for the use of the facilities it furnishes. It may be an unreasonable charge when the difference is large, but credits are usually for small amounts and the result in money is not usually unreasonable.

As regards bills drawn in Great Britain against sales of goods, the drawer can (and usually does) fix the rate according to his understanding with his Canadian customer.

Our view briefly is that the phrase "Current Rate of Exchange" means the 60 day rate; that this for Letters of Credit for moderate sums affords only a reasonable profit; that for larger amounts the charge is, under the altered conditions, more than the service warrants, and that the difficulty is one to be met by reasonable concessions, as has been done at Montreal and Toronto.

Note drawn to maker's own order and endorsed by him.

QUESTION 386.—Is there any objection to notes being made payable to the order of the maker and endorsed by him instead of being made payable to the party to whom they are given?

ANSWER.—There is no objection whatever to notes being made payable to the maker and endorsed by him. Our correspondent probably has reference to the objections taken to notes being made payable to the *bank*, as in the case referred to at page 182, Volume VII of the JOURNAL.

Goods hypothecated under section 74

QUESTION 387.—In advancing money on security under Section 74, it is difficult to ascertain the amount of the goods hypothecated. Is the following a sufficient description: "All the lumber (or whatever the produce may be) held in my yard at.................., being all the lumber belonging to me?"

ANSWER.—Unless the lumber or other goods can be specifically described, it is best to use such a general description as that referred to by you. In Ontario the chattel mortgage cases have settled conclusively that a general or blanket description, if properly worded, is valid.

In this connection we beg to refer you to the article written by Z. A. Lash, Q.C., entitled "Warehouse Receipts, Bills of Lading and Securities under Section 74 of the Bank Act, 1890," which appears on page 54, Volume II of the JOURNAL.

Cheque payable to an insolvent, deceased

QUESTION 388.—A man assigns and within a week dies. A cheque dated after his death which is made payable to him personally is presented for payment. Should the assignee of the estate or his executor or administrator endorse the cheque?

ANSWER.—If the cheque was given for a debt due at the time the assignment was made we think the money might be safely paid to the assignee. On general principles the executor or administrator should endorse. See the discussion at page 384, Volume VI (Question 237), and at page 163, Volume VII (Question 293).

Legal

LEGAL DECISIONS AFFECTING BANKERS

High Court of Justice, Ontario

Ontario Bank v. Routhier

The question in this action was whether the bank could apply upon a note of a deceased insolvent customer the amount of a deposit at his credit.

Section 34 of Chapter 129 of the Revised Statutes of Ontario, 1897, provides that on the administration of the estate of a deceased person, in case of a deficiency of assets, his debts shall be paid *pari passu* and without any preference or priority of debts of one rank or nature over those of another, but that nothing in the section contained shall prejudice any lien existing during the lifetime of the debtor on any of his real or personal estate. A customer of the plaintiff bank died leaving at the credit of an ordinary deposit account with them the sum of $134. His estate was insolvent. At the time of his death the bank held his note for $1,000 which did not mature for some time after his death. The bank after the note had matured, applied in part payment of it the sum of $134 in their hands and claimed from the executor of the deceased customer's estate a dividend on the balance of $866. The executor, however, contended that the bank should rank against the estate for the full amount of the note, crediting the $134 on the dividend.

It was held, however, by Meredith, C, J., that assuming (though not deciding) that had the executor made a demand upon the bank for payment of the balance at the credit of the deceased customer at any time before the note became due the bank would have had no answer to that demand, yet that course not having been taken, the bank were just in the same position as if there had not been a deficiency of assets and the executor had tried to recover the $134 after the note became due, and were therefore entitled to apply upon the note, as they had done, the balance at the deceased customer's credit.

**Ontario Reports.*

COURT OF APPEAL FOR ONTARIO.

Bank of Hamilton v. Imperial Bank

Payment of an altered cheque—Right to recover back the money

This case was tried before Mr. Justice MacMahon, who gave judgment in favour of the Bank of Hamilton. Upon appeal to the Court of Appeal for Ontario (Armour, C. J. O., Osler, Maclennan, Moss and Lister, JJ. A.) this judgment was sustained, Armour, C. J. O., dissenting.

The facts of the case are sufficiently indicated in the judgment of Mr. Justice Osler:

The judgments were as follows:

OSLER, J.A.:—I am of opinion that the decision ot my learned brother MacMahon is right, and that the judgment for the plaintiffs should be affirmed. I wish to decide nothing more than the precise facts before us call for. These are: That the plaintiff bank certified a cheque drawn upon them by their customer Bauer for the sum of five dollars, payable to cash or bearer; that Bauer then fraudulently altered the cheque so as to make it appear to be a certified cheque for five hundred dollars, and presented it, so altered, to the defendants, who, in effect, paid him five hundred dollars therefor. On the following day, the 27th of January, 1897, the cheque was presented for payment or settlement by the defendant bank to the plaintiff bank in the Clearing House, and was then, as the effect of the transactions which there took place, paid by the plaintiffs as a cheque for five hundred dollars. On the next morning, the 28th of January, the forgery was discovered by the plaintiffs and repayment of the amount which they had so paid in error was forthwith demanded from the defendant bank. These, I think, are the only facts necessary to be mentioned.

This case is not complicated by any question of negligence on the part of the plaintiff bank in certifying Bauer's cheque in the shape in which he drew and presented it. It was contended that they had by doing so given him the opportunity of making the fraudulent alteration. Perhaps the bank might have charged Bauer's account with it had the fraudulent alteration been made by some one to whom Bauer had transferred it, and his account had been large enough to meet it: *Young v. Grote*; *Union Credit Bank v. Mersey Docks and Harbour Board*. *Scholfield v. Earl of Londesborough*, however, decides that the acceptor

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**Ontario Appeal Reports.*

of a bill of exchange is not under a duty to take precautions against fraudulent alterations in a bill after acceptance, and equally I think his omission to do so cannot, in itself, be an answer to the acceptor's demand for restitution where he has paid the bill in ignorance of the forgery. Such a demand is one for the repayment of money paid under a mistake of fact, and without consideration, and, while it may be conceded that it is in principle a demand of an equitable nature, and may, therefore, be met and resisted on equitable grounds, these must be grounds arising in or out of or subsequent to the transaction of payment itself and not out of facts which did not conduce or lead to the payment. Whether in point of law, looking at the form of the certification, the plaintiffs are to be regarded as acceptors of the cheque or not their legal position as regards their right to maintain the action is the same as if they were, because they paid the cheque on the faith of the supposed certification.

The defendants urged that the alteration of the cheque was not forgery ; that the certification, so to call it, was not part of the cheque ; that it was still Bauer's genuine cheque for five hundred dollars ; and that what took place was no more than if knowingly or by mistake the plaintiffs had simply allowed him to overdraw his account. This seems to me, with all respect, to be an argument of desperation. If the effect of certifying the cheque, assuming that what the plaintiffs placed upon the cheque is not to be regarded as an acceptance, is, as the Judicial Committee says in *Gaden v. Newfoundland Savings Bank*, "to give the cheque additional currency by showing on the face that it is drawn in good faith on funds sufficient to meet its payment, and by adding to the credit of the drawer that of the bank on which it is drawn," it appears to me perfectly clear that its alteration by the drawer after certification is forgery within the Criminal Code. The question is whether the plaintiffs, having paid it by mistake, as they undoubtedly did, are entitled to reclaim the sum paid less the amount for which the cheque was in truth certified.

The defendants insist that there is an absolute rule which prevents them from doing so unless at the least they have given notice and demanded repayment on the same day as that on which they paid the forged instrument, and that as in the present case the forgery was not discovered and notice given until the following morning, the plaintiffs must fail. I cannot, however, say that I am satisfied that this is the law. Although in the present state of the authorities I speak with some diffidence, it seems to me that the plaintiffs' right to recover depends upon this : whether by their neglect or delay in giving notice—it may be, under some circumstances, even on the same day—the position of the party who has received the money has been, or may have been, altered. Great reliance was placed on the observation of Bayley, J., in the well-known case of *Cocks v. Masterman*, that the holder of a bill is entitled to know on the day when it becomes due whether it is an honoured or dishonoured bill. But in my humble judgment this must be read with reference to the facts of that case, of which the important one was that there being endorsers on the bill the holder was by the omission of the acceptor to give notice of the forgery until the following day deprived of the right which he would otherwise have had of proceeding against the endorsers on the same day as that on which the payment in error had been made. The holder, indeed, says the learned Judge, is not bound by law, if the bill be dishonoured by the acceptor, to take any steps against the other parties to the bill till the day after it is dishonoured. But he is entitled to do so if he thinks fit.

The principle acted upon in that and other cases such as *Mather v. Lord Maidstone*, seems to be that by the delay to give notice of the forgery the remedy of the holder against the other parties may have been prejudiced.

I cannot see wherein a case like the present, where the defendant bank's recourse is against the maker or drawer of the cheque alone, differs, or why it should differ, in principle from the ordinary one of the recovery back of money which has been paid by mistake: *Durrant v. Ecclesiastical Commissioners*. There can be no ground in such case for invoking the application of the arbitrary doctrine of commercial necessity in favour of negotiability. Some dicta are found in the recent case of *London and River Plate Bank v. Bank of Liverpool*, *coram* Mathew, J., which were unnecessary for the decision of the case and which appear to carry the doctrine of the non-liability of the party receiving the money much further than it has yet been carried, but until these dicta shall have received the approval of a higher court, I am, with all respect, unable to follow them. I refer to the judgment of Patterson, J.A., in *Ryan v. Bank of Montreal*, *White v. Continental and National Bank*, and cases there cited: Daniel on Negotiable Instruments, 4th ed., sec. 1661, and cases there cited. In the case before us no one has been able to suggest how the remedy of the defendants against their fraudulent customer on the cheque they cashed for him has been affected or their position altered for the worse by the non-discovery of the forgery until the morning following the payment, and I am, therefore, of opinion, agreeing with the judgment of my brother MacMahon, that the appeal should be dismissed.

Moss, J. A.:—Although the amount claimed in this action is comparatively small the question involved is one of importance to bankers and business men. It is, besides, one of those unfortunate cases in which it happens that whichever way the decision turns one of two innocent parties must suffer.

The question is as between them which should bear the loss.

It is not claimed on behalf of the defendant bank that the stamping and initialing of the cheque in question was an acceptance by the plaintiff bank in accordance with the provisions of the Bills of Exchange Act so as to render it liable on the instrument. Indeed, the contrary was strongly contended on the argument of the appeal.

The effect of the certifying was only to show on the face that it was drawn in good faith on funds sufficient to meet its payment : *Gaden v. Newfoundland Savings Bank.*

When the ledger-keeper of the plaintiff bank certified the cheque it truly represented the facts then appearing upon its face, viz., that it was drawn for five dollars, and that there were to the drawer's credit funds sufficient to meet that sum. Before it again reached the plaintiff bank it had been fraudulently altered so as to represent a very different state of facts, and that happened without negligence with which the plaintiff bank could be charged.

The cheque reached the plaintiff bank again through the medium of the Clearing House, and if the fraud had been discovered in time, it would, no doubt, have been made an item of return through the Clearing House, and the defendant bank would, under the rules of that institution, have been then obliged to pay the amount immediately, on demand of the plaintiff bank. And such payment should have been enforced through the manager of the Clearing House if notice could have been given to him before 12 o'clock noon on the same day.

The failure to make the return and demand as prescribed does not, however, deprive the plaintiff bank of any right it might have otherwise than under the rules to return or object to any item. Any such right is expressly saved by subsequent rule.

The reason why the fraud was not discovered on the day the cheque reached the plaintiff bank through the Clearing House was that pursuing the usual course adopted by the plaintiff bank, and I suppose by all the other members of the Clearing House, the officials whose duty it was to examine the items received through the Clearing House, seeing that the cheque appeared on its face to be drawn upon the plaintiff bank by a customer and to be certified by the ledger-keeper, did not refer to the customer's account until the next morning.

The fraud was discovered early the next morning and notice was at once given to the defendant bank and repayment demanded. There can be no question of negligence in not discovering the fraud earlier. The plaintiff bank was justified in assuming that since the cheque left the hands of the ledger-keeper no crime had been committed by the drawer or any holder.

There was nothing in the appearance of the instrument as returned to give rise to any suspicion of that kind, and it might fairly be presumed that it was an honest cheque in all particulars. It came back to the plaintiff bank in regular and ordinary course through the Clearing House and was dealt with precisely as all other certified cheques of its customers were dealt with. It came in the shape of a representation to the plaintiff bank that it had certified that it held funds of the drawer sufficient to answer a demand for five hundred dollars. Accepting that as a true representation the plaintiff bank was surprised into treating the cheque as a valid instrument of the value of five hundred dollars presented to it in the exchanges effected in the Clearing House.

Treating the transaction as operating in the result as a payment by the plaintiff bank to the defendant bank of the amount appearing on the face of the cheque it appears that the plaintiff bank paid a sum for which it was not liable upon the instrument or otherwise, and for which it received no consideration.

Apart from any technical rule there may be relative to commercial instruments, there appears no good reason why the sum so paid should not be recovered back.

Has the defendant bank a better equity to retain the money so obtained than the plaintiff bank has to recover it back? It is true the defendant bank received the cheque in good faith from Bauer and gave him credit for the amount of it. But in doing so it did not become the absolute purchaser of the cheque nor agree to look to the plaintiff bank alone for payment of the amount. It accepted the cheque as agent for Bauer to collect it, and when collected to give him credit for the proceeds. In the meantime it chose to honour his cheques drawn against the amount. In doing so the defendants had no better justification for believing that the cheque was what it was represented to be by Bauer than the plaintiff bank had for believing that when the cheque would be returned to it it would be returned in the same condition as it was in when certified.

When the cheque was offered to the defendant bank it would have been as easy for it to have ascertained from the plaintiff bank whether it was a genuinely certified cheque for five hundred dollars as it would have been for the plaintiff bank to have checked it by reference to Bauer's account when it came from the Clearing House. Both relied upon the presumption of honest dealing, and neither supposed that a crime would be or had been committed. The defendant bank knew that the cheque had been certified at Bauer's instance, and becoming the holder under such circumstances it was really in no better position than the holder of an uncertified cheque. See Daniel on Negotiable Instruments, 4th ed., sec. 1605.

There appears to me to be nothing in this case to give the defendant bank a higher equity to retain the amount received in respect of this cheque than the plaintiff bank has to recover it back as money paid under a mistake and without consideration.

But it was argued on behalf of the defendant bank that this cheque being a bill of exchange, and having been actually paid to an innocent holder for value, the amount so paid cannot be recovered back.

This argument is rested upon what was said, rather than what was decided, by Mathew, J., in *London and River Plate Bank v. Bank of Liverpool.*

With the actual decision in that case there may be no ground for dispute, and if the facts of that case at all correspond with the facts of this case there might be no occasion for hesitation in adopting it.

In that case months had elapsed after the payment to the Bank of Liverpool of the bill, and in the meantime the bank had lost its right of giving notice to parties to the bill who were liable in the event of non-payment that it had not been paid. It was plain that the Bank of Liverpool had, when the action was commenced, a better equity to retain than the plaintiffs had to recover back the amount paid. Through the long lapse of time the bank had lost its remedies upon the instrument against other parties liable thereon.

In *Cocks v. Masterman* the real reason for the decision is stated by Bayley, J., in the last sentence of his opinion. He says: "If we were to hold that the plaintiffs were entitled to recover, it would be in effect saying that the plaintiffs might deprive the holder of a bill of his right to take steps against the parties to the bill on the day when it becomes due."

In that case, as in *London and River Plate Bank v. Bank of Liverpool*, there were parties to the bill who were entitled to notice of dishonour, and as to whom failure to give such notice discharged them from liability.

In *Leeds Bank v. Walker*, Denman, J., speaking of *Cocks v. Masterman*, said it was decided solely on the ground that the neglect to give notice of the forgery on the day on which the bill became due might deprive the holder of his right to take steps against the parties to the bill on the day on which it became due, and he pointed out that this was a ground wholly inapplicable to the case with which he was dealing, viz., a Bank of England note on which the bank alone was liable if any one was: That is to say, the prejudice suffered must arise out of a deprivation of some right or remedy against other parties upon the instrument itself.

In the present case the only person liable on the cheque was the drawer, by whose fraudulent act it had been altered, and who would certainly not be discharged by want of notice on the day of presentation or at any time.

The only duty it can be said the plaintiff bank owed the defendant bank was not to be negligent, and there was no breach of that duty.

The plaintiff bank was not negligent in certifying the cheque in the form in which it was when presented by Bauer, nor in not discovering the subsequent fraud immediately upon the cheque coming to it through the Clearing House, and as soon as in the usual and ordinary course of business the fraud was discovered there was no delay in notifying the defendant bank and demanding repayment.

In my judgment the rule that was applied in *London and River Plate Bank v. Bank of Liverpool* ought not to be applied in the circumstances of this case.

I think the appeal ought to be dismissed.

MACLENNAN, and LISTER, JJ.A., concurred.

ARMOUR C.J.O. :—(dissenting). In my opinion this case is governed by the rule laid down in *Cocks v. Masterman* where it is said: "But we are all of opinion that the holder of a bill is entitled to know, on the day when it becomes due, whether it is an honoured or dishonoured bill, and that, if he receive the money and is suffered to retain it during the whole of that day, the parties who paid it cannot recover it back."

This rule, rigorous though it may seem, has been adhered to in England ever since: see *Mather v. Lord Maidstone*; *Durrant v. Ecclesiastical Commissioners*; *Leeds Bank v. Walker*; *London and River Plate Bank v. Bank of Liverpool*; Byles on Bills, 16th ed., p. 353.

The application of this rule does not at all depend upon whether the holder of the bill is or is not in fact prejudiced by the delay, for the conclusion of law is that he may be prejudiced and this is the reason of the rule.

In this case the defendants, the holders in due course of the cheque, presented it to the plaintiffs on the 27th of January through the Clearing House, and it being due on presentation the defendants were entitled to know on that day whether it was honoured or dishonoured.

The plaintiffs paid the cheque through the Clearing House on that day, but this payment was, in my opinion, conditional upon their right to dishonour the cheque during that day, but not having dishonoured the cheque during that day such payment became absolute, and the defendants having received the money for the cheque from the plaintiffs, and being suffered to retain it during the whole of that day, the plaintiffs cannot recover it back.

It was shown that it was the habit of the plaintiffs and some other banks not to compare their accepted cheques with the entries in their ledgers until the day after they received them from the Clearing House, but this habit could not avail to deprive the defendants of their legal right to know on the day when his cheque was received by the plaintiffs from the Clearing House whether it was honoured or dishonoured.

And there was no sufficient reason shown for their not comparing their accepted cheques with the entries in their ledgers on the day they received them from the Clearing House.

In my opinion the appeal should be allowed with costs and the action dismissed with costs.*

*Leave to appeal to the Supreme Court of Canada has been granted.

STATEMENT OF BANKS acting under Dominion Government charter for the months of September, October and November, 1900, and comparison with November, 1899:

LIABILITIES

	30th Sept., 1900	31st Oct., 1900	30th Nov., 1900	30th Nov., 1899
Capital authorized	$ 82,608,664	$ 82,608,664	$ 82,608,664	$76,108,664
Capital paid up	65,784,772	66,264,967	66,674,653	63,365,431
Reserve Fund	33,769,356	33,897,647	34,154,043	29,531,762
Notes in circulation	$ 50,387,070	$ 53,198,777	$51,947,269	$ 47,839,506
Dominion and Provincial Government deposits	5,516,872	4,947,460	5,109,357	5,225,266
Public deposits on demand *in Canada*†	101,911,549	106,015,973	107,935,633	101,437,399
Public deposits after notice	183,062,013	184,135,857	186,520,765	174,437,445
Deposits elsewhere than in Canada	21,213,758	20,349,048	21,222,627	....
Loans from other banks in Canada, secured, *including bills rediscounted*	1,491,563	1,504,870	1,565,586	566,935
Deposits from and balances due other banks	3,462,114	3,446,113	3,012,579	4,435,345
Due to agencies of the bank and to other banks in United Kingdom	4,998,675	4,192,311	3,798,247	4,749,895
Due to agencies of the bank and to other banks elsewhere than in Canada and the United Kingdom.†	867,283	819,733	938,396	1,126,823
Other liabilities	5,692,343	6,440,106	7,075,605	1,023,132
Total liabilities	$378,603,318	$385,050,323	$389,126,133	$340,841,820

The changes in the Statement made by the Amendment of 1900 are indicated by italics. The figures for Nov., 1899, are to be read without reference to the lines or portions of lines in italics, except where the mark (†) appears, in which cases the old and new headings have substantially the same effect.

ASSETS

Specie	$11,666,635	$11,606,195	$11,372,861	$ 9,153,391
Dominion notes	18,642,961	19,309,953	19,517,119	18,593,777
Deposits to secure note circulation	2,372,973	2,372,973	2,372,973	2,056,344
Notes and cheques of other banks	10,045,213	12,426,426	12,049,905	11,712,172
Loans to other banks in Canada secured, *iucluding bills rediscounted*	1,547,743	1,469,870	1,509,389	429,886
Due by other banks in Canada	4,512,917	4,682,011	4,478,434	5,556,777
Due from agencies of the bank and from other banks in United Kingdom	6,485,226	6,368,471	7,520,888	13,533,511
Due from agencies and from other banks elsewhere than in Canada and the United Kingdom †	12,020,346	9,687,010	10,241,361	27,118,605
Dominion Government debentures or stock	....	....	....	4,782,800
Dominion and Provincial Government securities	11,752,678	11,977,469	12,284,478	....
Public, municipal and railway securities	....	....	....	31,457,133
Canadian municipal securities, and British or foreign or colonial public securities other than Canadian	11,914,141	12,062,776	12,214,143	....
Railway and other bonds, debentures and stocks	25,247,994	25,270,228	25,475,144	....
Call *and short* loans on stocks and bonds *in Canada*†	30,786,953	32,347,947	33,767,136	34,317,790
Call and short loans elsewhere than in Canada	29,749,949	28,775,146	30,536,502	....
Current loans *in Canada* †	272,020,391	276,216,200	276,464,126	263,597,683
Current loans elsewhere than in Canada	18,650,178	19,003,505	19,067,825	....
Loans to Dominion and Provincial Governments	1,572,168	2,181,382	2,483,795	1,852,167
Overdue debts	2,391,949	2,652,101	2,256,765	1,943,325
Real estate	1,149,744	1,162,132	1,158,727	1,190,417
Mortgages on real estate sold	582,202	575,798	586,469	666,009
Bank premises	6,426,345	6,448,854	6,478,965	5,950,326
Other assets	8,129,840	8,261,712	8,169,577	3,694,399
Total assets	$487,670,752	$494,858,345	$500,006,770	$437,606,700
Loans to directors or their firms	$12,081,728	$12,250,528	$12,808,505	$7,020,135
Average amount of specie held during the month	11,008,562	11,543,699	11,475,216	9,014,089
Average Dominion notes held during the month	18,934,682	18,958,843	18,629,893	18,520,221
Greatest amount of notes in circulation during month	51,188,095	54,040,643	54,558,416	50,845,199

UNREVISED FOREIGN TRADE RETURNS, CANADA

(000 omitted)

IMPORTS

	1899		1900	
Quarter ending 30th September—				
Free	$17,223		$17,951	
Dutiable	26,476		29,785	
	$ 43,699		$ 47,736	
Bullion and coin	4,019	$ 47,718	1,158	$ 48,894
Month of October—				
Free	$ 5,646		$ 6,418	
Dutiable	8,778		9,107	
	$ 14,424		$ 15,525	
Bullion and Coin	134	$ 14,558	699	$ 16,224
Total for four months		$ 62,275		$ 65,118

EXPORTS

	1899		1900	
Quarter ending 30th September—				
Products of the mine	$ 3,645		$13,212	
" Fisheries	2,512		2,595	
" Forest	12,948		11,823	
Animals and their produce	17,503		17,430	
Agricultural produce	4,298		4,497	
Manufactures	3,016		3,429	
Miscellaneous	72		35	
	$ 43,995		$ 53,023	
Bullion and Coin	601	$ 44,596	887	$ 53,910
Month of October—				
Products of the mine	$ 750		$ 3,340	
" Fisheries	1,880		923	
" Forest	3,410		3,334	
Animals and their produce	6,062		6,105	
Agricultural produce	3,442		1,947	
Manufactures	1,100		1,432	
Miscellaneous	42		5	
	$ 16,686		$ 17,086	
Bullion and Coin	148	$ 16,834	95	$ 17,181
Total for four months		$ 61,430		$ 71,091

SUMMARY (in dollars)

For four months—	1899	1900
Total exports, other than bullion and coin	$ 60,681,000	$ 70,109,000
Total imports, other than bullion and coin	58,143,000	63,261,000
Excess of exports	$2,538,000	$6,848,000
Net Imports of bullion and coin	3,404,000	875,000

MONTHLY TOTALS OF BANK CLEARINGS at the cities of Montreal, Toronto, Halifax, Hamilton, Winnipeg, St. John, Vancouver and Victoria.

(000 omitted)

	MONTREAL		TORONTO		HALIFAX		HAMILTON	
	1898-9	1899-00	1898-9	1899-00	1898-9	1899-00	1898-9	1899-00
	$	$	$	$	$	$	$	$
December	69,143	68,979	43,508	47,011	5,838	6,744	3,334	3,730
January ..	64,850	62,853	42,388	45,114	5,913	6,707	3,274	3,742
February .	62,432	54,250	40,818	37,864	4,583	5,354	2,807	3,040
March ...	62,043	54,882	39,012	40,581	5,285	5,868	3,021	3,171
April	50,003	55,915	33,035	38,842	4,472	6,004	2,858	3,099
May	56,475	62,332	34,374	43,215	4,798	5,984	2,932	3,493
June	63,756	65,543	41,189	44,545	5,461	6,187	3,224	3,342
July......	63,209	61,293	40,569	44,400	4,742	7,184	3,304	3,194
August ..	63,115	58,229	37,207	37,075	7,823	7,162	3,138	3,035
September	64,163	57,686	39,842	38,933	5,937	6,351	3,590	3,176
October ..	69,792	65,983	46,979	47,246	6,795	6,920	3,608	3,642
November	71,101	68,656	44,637	47,550	6,645	6,921	3,680	3,481
	760,082	736,601	483,558	512,376	68,292	77,386	38,770	40,145

	WINNIPEG		ST. JOHN		VANCOUVER	VICTORIA
	1898-9	1899-00	1898-9	1899-00	1899-00	1899-00
	$	$	$	$	$	$
December	10,708	12,966	2,746	2,963	4,090	3,006
January ..	7,683	9,906	2,470	3,033	3,550	3,044
February .	6,209	6,702	2,212	2,342	2,881	2,324
March ...	5,968	7,320	2,148	2,509	3,378	2,372
April	6,240	7,091	2,254	2,492	3,543	2,106
May	8,683	9,762	2,513	2,945	3,717	2,704
June	8,211	9,612	2,606	2,978	3,843	2,758
July......	8,169	9,395	2,753	3,468	4,286	2,986
August ..	7,995	8,173	3,103	3,561	4,391	2,875
September	8,281	7,320	3,004	3,340	4,301	2,639
October ..	12,689	9,183	2,814	3,362	4,956	3,070
November	14,435	11,618	2,903	3,115	4,008	3,151
	105,271	109,048	31,526	36,108	46,944	33,035

Vol. VIII] [Number 3

JOURNAL

OF THE

CANADIAN BANKERS' ASSOCIATION

APRIL—1901

THE HISTORY OF CANADIAN CURRENCY, BANKING AND EXCHANGE*

V. PROSPERITY AND EXPANSION IN UPPER CANADA

THE general period of prosperity in America from 1829 to 1834, passing its zenith in 1832, naturally stimulated the business of banking in Upper Canada, where the enterprise and expansion of the Canadas chiefly centred. The mercantile activity of Quebec, and more especially of Montreal, continued to rest on three factors—the fur trade of the North-West, the trade with the Northern States, and the trade with Upper Canada. The last rapidly grew in volume and importance, while the first declined, and the second became diffused.

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*Chief sources:
Dominion Archives, State Papers, Upper Canada.
Journals of the Assembly and Legislative Council, Upper Canada.
Statutes of Upper Canada.
Collection of Manuscript papers of S. P. Jarvis, in Toronto Public Library.
Kingston Chronicle, 1828-1832.

The Bank of Upper Canada had a virtual monopoly of the domestic trade of the Western Province during the twenties. But it found that its extensive business with Montreal, where it had undertaken to redeem its notes, led to the necessity of continually sending specie there. This placed it in the same position with reference to Montreal as the bank of Montreal had occupied with reference to Quebec. The return stream of specie passing naturally towards the centre of import and customs collection, the Bank of Upper Canada found that its notes were used as a more convenient means of remittance than the sending of specie. Hence the bank resolved, in May, 1826, to discontinue, after June 1st, to redeem its notes in Montreal. The bank gave as its reason the inconvenience and loss which it had sustained owing to that practice.

In the meantime the bank was gradually calling in the remainder of its stock as the demands for accommodation increased. But as the tide of prosperity rose in the latter part of 1829, the bank was unable to meet the rapidly expanding needs of the country, chiefly, it was said, because those who held its stock were unable to furnish the additional capital required. The Provincial Government itself had difficulty in meeting the calls upon it for its share of the stock. As the shareholders were receiving from twelve to fourteen per cent. on their capital, they naturally did not wish new stock to pass to outsiders, with the possibility of lower dividends and a lessened control on the directorate, which from the first had been safely lodged in the hands of the Family Compact. The power which the Compact derived from its control of the bank was fully recognized by its opponents, and efforts were already being made to break up this connection. It was recommended by the Committee on Finance, in 1829, that the Government should sell its stock in the bank, and apply the funds to public works. The advice, however, was not taken.

In 1829 the Bank of Montreal once more established a branch at Kingston, under the management of Mr. Dupuy, an officer of the bank from its foundation. At the same time it withdrew its agency from York. Kingston was selected partly to meet the growing demand for bank accommodation there, and partly to take advantage of the expenditure of the Imperial

Government in connection with the Rideau canal. As a result of this move on the part of the Bank of Montreal, a bank war broke out between it and the Bank of Upper Canada. Each bank collected considerable quantities of the other's notes and then suddenly presented them for payment, with the result that kegs of specie, under special escort, were periodically travelling up and down between Montreal and York, at much risk and expense to the rival banks. However, they came to an agreement in the course of a year, and the Bank of Montreal agreed to act as agent for the Bank of Upper Canada in Montreal. The western bank instead of redeeming its notes in Montreal, issued drafts on that city. From the time of its refusal to redeem its notes in Montreal, the Bank of Upper Canada was subjected to much commercial criticism in its own Province. It is noteworthy that the discontent with the bank found expression chiefly in Kingston and Niagara, the two centres where its branches were located. The branch at Niagara was frequently in straits to meet the demands upon it owing to the presentation of considerable quantities of notes from the United States. In Kingston and Niagara began also the agitation for new banks. In this matter, however, Kingston led the way.

In 1829 the project of a new bank was being discussed by Kingston merchants and capitalists. Eventually a public meeting was held in the Court House on January 22nd, 1830, at which it was resolved that in the interest of commerce and agriculture it was expedient to establish a bank in Kingston, to be called the Midland District Bank, though it was also proposed to name it the Commercial and Agricultural Bank of Upper Canada. A committee was appointed to draw up rules and regulations for the proposed bank, to be submitted to another public meeting on February 3rd. On the appointed date the committee presented a very full report which throws considerable light upon the banking issues of the day. We find in it the usual references to the favorable situation of Kingston for the commerce and shipping of the Province, and its proximity to the extensive programme of Government works already entered upon and certain to extend over several years. These works, together with the military and naval establishments, will, it is declared, put into circulation at Kingston either British gold and silver, or bills on the British Treasury, either of which will be of obvious advantage to a banking establishment. They also confidently counted on the prospect of Kingston becoming the seat of Government. Owing to its close connection with the State of New York they expected an extensive exchange business, and an opening for the circulation of the bank's notes in the adjoining towns of the State. Again, since the Kingston merchants were now beginning to import directly from Britain, there would be a corresponding need for direct exchange with the mother country. Striking into another line, we have the familiar patriotic appeal to secure for the capitalists and people of Kingston the profits and advantages which were then going to outside banks in York and Montreal. Under existing conditions the paper offered for discount at the agency of the Bank of Upper Canada has to be sent to the head office at York for approval, involving a delay of ten days or more, and those who have to pass upon it there are often antagonistic to the interests of the merchants of Kingston. In the case of the local branch of the Bank of Montreal, though there is no delay in getting discounts, yet, in addition to being a foreign bank the profits of which go out of the Province, the amount of capital set apart for local discounts is very limited, and instead of being under the management of a board of directors it is under the control of one man. Further, as neither bank undertakes to redeem its notes in Kingston those having payments to make in the United States must either pay in notes which are there at a discount, or go to the expense of sending the notes to York or Montreal and bringing back specie. Then, there is an attempt now being made by the supporters of the bank at York to obtain an act of the Legislature to compel all bank agencies to redeem the notes of their central banks. If that succeeds the branch of the Bank of Montreal will probably be withdrawn from Kingston, leaving in the hands of the Bank of Upper Canada a monopoly of the upper Province. The leading features to be embodied in the new charter are then given, and they show that they closely followed the charter of the Bank of Upper Canada. The report of the committee, which was representative of the best interests of the town, was adopted, and it was resolved to establish a new bank to be called the Commercial Bank of Upper Canada. A subscription book for stock was to be opened, petitions to both houses of the Legislature were to be prepared, and other suitable measures taken to promote the new enterprise. When the bill to charter the bank was introduced in the Assembly it was received with much favour, and it was even thought possible to flatter the wisdom and statesmanship of the upper house into passing the measure, notwithstanding the fact that the Council was mainly composed of the leading directors and stockholders of the Bank of Upper Canada. However, the expected happened. The bill easily passed the Assembly but was hopelessly lost in the Council, only three members voting for it.

The Bank of Upper Canada, though left with the field to itself for another year, had still to contend with increasing criticism and opposition from various quarters. The growing strength of the reform party made its criticism ever more troublesome to the members of the Family Compact. The Committee on Finance, when in 1829 it recommended the selling of the Government stock in the Bank of Upper Canada, had said that, "The opinion is widely diffused that it is a political engine of dangerous power, unsuitable to be vested in the executive of so young a Province, in which unhappily political and party strife have, during the late administration, made up one half the business of life." The connection of the Government with the bank was indeed a great advantge to the party which controlled both Government and bank. The Government share in the bank being entirely in their hands, it enabled them, even with their limited means, to control absolutely the policy of the bank. While the connection of the bank with the Government secured to it the profits on all the Government business. The Government connection also lent to the bank a position of dignity and credit difficult of attainment by an ordinary company. Thus the double advantage of the political and financial connection gave to the Compact a position so strong and well entrenched as to appear to its opponents, as well as its defenders, well nigh impregnable. This serves to explain, in part at least, the persistent attacks of the reformers upon the management of the bank. Yet this was perhaps the least vulnerable side of the Compact from the point of view of dishonesty or corruption.

The Family Compact, with all its faults, cannot be said to have been consciously dishonest in its frank monopoly of power and profit. It simply believed what the constitution of the Province taught it to believe. According to the constitution an aristocracy of Church and State was absolutely necessary to keep the democratic tendencies of the masses in check. This aristocratic element to be effective must be predominant in the wealth and political power of the country. Hence, in jealously guarding their political power, and in using their positions and influence to promote their economic ascendency, the members of the Compact may be said to have acted in good faith, however disastrous their action may have been for the country as a whole. However false their ideal, their morals were not necessarily corrupt. Thus, with all their anxiety to maintain the Bank of Upper Canada as a close preserve, there is no evidence that the directors and officers of the bank were other than strictly honourable and honest in all the details of the bank's operations.

Notwithstanding the high reputation of the bank among the business men of the Province, the more radical element among the reformers steadily attacked the Compact's control of it. In June, 1830, McKenzie, Baldwin, Rolph, and others made a determined effort to have one or more of their party appointed on the board of directors, among the four representatives of the Government. They completely failed, however, some of the less ardent of their party showing a tendency to doubt their capacity to improve the management of the bank, however much they might sympathize with their criticism of the selfish and obstructive policy of the Compact. At the same time there appears to have been a movement on the part of some of the stockholders to effect a change in the directorate of the bank, but it was defeated.

Though balked for the time being by the power which controlled the Bank of Upper Canada, the people of the eastern portion of the Province were but little discouraged in their efforts to obtain a new bank. Not only did the Kingston people continue their agitation, but the merchants and others of Brockville, stimulated by the strong arguments of the Kingstonians and the steadily rising prosperity of the Province, conceived the idea of establishing a bank for the Johnstown District. They were undecided at first whether it should be a wholly new bank, or one connected with either the Bank of Upper Canada or the proposed new bank at Kingston. The Brockville project took definite shape on August 11th, 1830, when a public meeting was held at Wheeler's inn with Jonas Jones, the local member of the Legislature, as chairman. The resolutions passed at this meeting were to much the same effect as those adopted at Kingston, as far, at least, as concerned the need for such an institution and the difficulty and delay in getting accommodation from York. But the Brockville people expressed themselves as content to have an independent branch of the Bank of Upper Canada established in their town. This, it was expected, would serve the trade and agriculture of the four lower districts of the Province. Resolutions to this effect were forwarded to the directors of the Bank of Upper Canada, and a formal request made for the establishment of a branch at Brockville. However, the bank declined to consider their proposal.

Soon after this the Bank of Upper Canada undertook to remedy, as it supposed, the complaints of both Kingston and Brockville, by offering better accommodation for discounts at Kingston. The method adopted was to establish a branch on much the same plan as that of the Bank of Montreal at Quebec, namely, by the appointment of a local board of directors with power to pass upon the paper offered for discount.

In selecting a board of directors for the Kingston branch, the Bank of Upper Canada evidently sought, and with considerable success, to enlist in its interest some of the strongest supporters of the proposed new bank. The new arrangement went into effect November 13th, 1830. The first board of directors consisted of Messrs. John Kirby, Thos. Turpin, John S. Cartwright, Wm. Wilson, Thos. Kirkpatrick, Donald Bethune and John Macaulay. Mr. Kirby was appointed chairman of the board and Mr. Macaulay remained cashier, combining this function with that of postmaster of the town.

This clever move, albeit somewhat belated, though it detached some important citizens from the project for a new bank, did not quench the interest of the majority of the merchants of Kingston. The movement had already gone too far to be lightly given up, and the latest action on the part of the Bank of Upper Canada simply gave the necessary flavour of opposition which was needed to insure success.

Within two weeks of the introduction of the new system by the York bank, a public meeting was called at the Court House on December 3rd, to consider the question of applying once more for a charter for a new bank. The meeting resulted in a unanimous determination to secure the desired bank. The necessary steps were taken to have a bill introduced and cared for in the Legislature, through the Solicitor General, C. A. Hagerman, in the Assembly, and the Hon. Geo. H. Markland in the Council. Those who took a leading part in the promotion of the bank were such prominent citizens as Thos. Markland, F. A. Harper, John Watkins, John Mowat, Geo. Mackenzie, Arch. McDonell, Jas. Macfarlane and Geo. W. Yarker.

Mr. John S. Cartwright, who was afterwards to be so prominently connected with the new bank, but who had been detached in the meantime by the tactics of the Bank of Upper Canada, was present at the meeting. He proposed a series of resolutions which had for their object to petition the Legislature for an increase in the stock of the Bank of Upper Canada with a view to having a more important and independent branch of that bank established in Kingston, with a capital of £50,000, in lieu of the proposed new bank. But, as the meeting was evidently unsympathetic towards this proposal, the resolutions were withdrawn. The following week a meeting was called by the local directors of the Bank of Upper Canada, at which Mr. Cartwright's resolutions had a better hearing. The first resolution, to the effect that the Bank of Upper Canada had given general satisfaction to the public and that the establishing of branches in the eastern and western parts of the Province would be a public benefit, was carried. The second resolution was to the effect that were a branch of the Bank of Upper Canada established in Kingston it would render unnecessary another chartered bank. This led to a warm discussion, and the supporters of the new bank being in the majority, the resolution was lost and the meeting adjourned. The directors of the branch bank and a few of their friends then met in the office of

Mr. J. S. Cartwright and passed in peace and quietness their full list of resolutions. In addition to those already mentioned, were others to the effect that a branch of the Bank of Upper Canada should be established at Kingston with a capital of at least £50,000 and with authority to issue its own notes, redeemable in specie, and otherwise conduct a business similar to that of the parent institution. The directors of this enlarged branch were to hold at least twenty shares and be residents of Kingston. In case the charter of the Bank of Upper Canada should be amended to admit of this enlargement, the new stock should not be open to those who at present held twenty shares or upwards in the original stock, until subscription books had been opened in Kingston, Bath, Belleville and Hallowell, for the space of ten weeks. Arrangements were made for petitioning the Legislature and sending copies of the resolutions to the directors of the Bank of Upper Canada to secure their co-operation. Before the company dispersed £7,000 were subscribed toward the proposed branch bank.

With the leading citizens of Kingston so thoroughly alive to the necessity for increased banking accommodation, yet strongly divided as to the best means of accomplishing that object, it may be imagined that the local interest in the question was not permitted to flag. Gradually the neighbouring towns, and indeed the whole of the eastern portion of the Province, became stirred up over the matter. Eventually the question became the subject of much discussion in the trading centres of Lower Canada and northern New York State, as well as the western portions of Upper Canada. As interest in the subject widened, the example of Kingston in seeking a local banking institution was followed in various parts of the Province, until in the end it seemed as though every town in Upper Canada were aspiring to the dignity of possessing an independent bank.

The majority of the merchants of Kingston and the neighbouring towns evidently favoured the plan of a new and independent bank, and worked to that end. Before the close of the year 1830, stock to the extent of £20,000 had been subscribed in Kingston, £3,000 in Perth, and about £1,000 in Bath; while, in addition to expected contributions from other towns in the district, subscriptions were looked for in many other parts of the Province, in New York State and Lower Canada, as soon as the charter had been obtained.

The people of Brockville, having been refused a local branch of the Bank of Upper Canada, were seriously discussing the proposal to establish an independent bank of their own.

The tactics of the Bank of Upper Canada, and the action of its supporters in the Legislative and Executive Councils, had convinced the majority of the people that it was the intention of that institution to maintain a monopoly of the banking business of the Province at all hazards. Some felt, however, that there was reasonable ground for the rejection of the first bill to establish the Kingston bank, inasmuch as the people of the eastern portion of the Province had not had an opportunity of distinctly indicating their views on the subject. But now that the matter had been discussed for more than a year, and there could be no longer a question as to the opinion of the great majority of the people, it was thought that the Council would not incur the odium of rejecting a second time a bill to charter the new bank, if it came up with a good majority from the Assembly. Much interest, therefore, attached to the second presentation of the matter to the Legislature.

In January, 1831, the petition for a charter for the Commercial Bank of Upper Canada was presented to the Assembly and referred to a committee. It went through its various stages with little opposition and on the 4th of February passed the House of Assembly by a large majority.

In the chief debate on the bill much light was thrown upon the attitude of the representative interests of the day towards banking in general and the special function of banks in the Province. Among the popular, or reform party, there was a general feeling that the freedom from liability was a dangerous feature in the bank charters of the time. Again, there was an evident desire on the part of those engaged in trade to have banking accommodation placed within their reach in the various parts of the Province. Hence several members were anxious to know whether the new bank would undertake to establish branches in such districts as required them. Here there emerged something of the same difference of opinion as had shown itself in Kingston.

The more conservative element favoured the establishment of district branches of the Bank of Upper Canada. But the majority, distrusting the power behind the Bank of Upper Canada, were in favour of an institution that would be free from its control. Attorney General Boulton, chief representative of the Compact in the Assembly, made several characteristic speeches against the bill and in defence of the monopoly of the Bank of Upper Canada. Competition, he said, might be well enough in other matters but was fatal to the business of banking, since it tended to weaken credit. To establish another bank would impair the credit of the Bank of Upper Canada without corresponding benefit to the country. He represented the Bank of Upper Canada as the best in the world, and pointed out in particular its alleged superiority to the Bank of Montreal. The directors of the latter were mainly merchants interested in actual trade, and, in accordance with the laws of human nature, they naturally assisted one another and oppressed rival merchants. The directors of the Bank of Upper Canada, on the contrary, were mainly Legislative Councillors, having no special interest in trade and therefore perfectly impartial with reference to those who sought accommodation. Next, with a brush of the deepest blue, he pictured the condition of the United States as the result of multiplying banks, and trusted that this country would never have to face so certain a commercial ruin as awaited that republic. Finally, he issued a veiled warning of the inevitable fate that must overtake any new bank which attempted to gain a footing in opposition to such a powerful institution as the Bank of Upper Canada. And here he appealed once more to the inexorable laws of human nature, whose workings, he had claimed, must cause merchant directors to crush merchant customers as in the operations of the Bank of Montreal. This spectral forecast was afterwards of much benefit to the critics of the Bank of Upper Canada.

Mr. Bidwell, in a very temperate speech admitted the stability and good management of the Bank of Upper Canada, but dwelt on the dangers to the liberty of the country in the monopoly of that institution and the beneficial check which a rival bank would impose upon it. Personally he would like to see the Scotch system of banking introduced into Canada, with greater responsibility on the part of the stockholders. But, as a different system had been introduced here, he would support the present bill.

Solicitor General Hagerman, replying to a second outburst on the part of the Attorney General, referred to the experience of other countries, especially England, Scotland and the United States, to show that merchants might very well manage banks, and that it was a very important part of the function of banks to assist merchants in their trade, and not merely farmers, as the Attorney General had maintained.

Mr. McKenzie brought up to the House a wheel-barrow load of documents, and obliterated all landmarks in a deluge of talk for six hours. He opposed the bill, or at best called for its amendment, not, as may be imagined, in the interest of the Bank of Upper Canada, but because it was fashioned too closely in the image of that institution. When the vote was taken Mr. Boulton found that almost his only supporters were his dearest enemies, the ultra radicals. He had more consistent backing elsewhere however.

Though a number of the wiser heads in the Legislative Council, especially the Hon. Mr. Markland and the Hon. Dr. Strachan, recognized that more was to be lost than gained in opposing the convictions of the moderate party in the country, yet the majority of the Council, always more distinguished for courage than for wisdom, were determined to maintain the monopoly of the Bank of Upper Canada. As a result the bill was lost, but it was recognized by many who had anything but love for the radicals, that they were the chief gainers by the outcome.

During the same session, a bill was introduced to authorize an increase in the stock of the Bank of Upper Canada, but the Assembly returned the compliment of the Compact by declining to pass the measure.

With the country and the Assembly so strongly in their favour, the promoters of the Commercial Bank, while greatly chagrined at the failure to obtain a charter, were by no means discouraged by their second rebuff at the hands of the Council. Immediately after the fate of the bill was made known, a public meeting was called at Kingston, at which vigorous resolutions were passed condemning the action of the Council and expressing determination to continue the agitation in favour of the desired object. One of their resolutions expressed the determination that, should the bill be again rejected by the Council, they would directly petition His Majesty to grant the bank a royal charter. Another resolution declared the injustice and danger to the liberties of the Province, of permitting an increase of the stock of the Bank of Upper Canada until another bank had been regularly established. What was feared was just what Attorney General Boulton had vaguely threatened, that the Bank of Upper Canada, even with its present power, and more especially if strengthened with additional stock, would immediately attack any new bank and endeavour to wreck it before it had gained an established footing. Having defined their position, the promotors of the Commercial Bank kept up a quiet propaganda while awaiting the next session of the Legislature.

In the meantime the reformers were following up their attacks upon the Bank of Upper Canada during the sessions of 1830 and 1831. They were particularly anxious that the bank should furnish a more detailed account of its business than the few items required by statute. In the session of 1830 the bank had flatly refused to furnish additional details. But its opponents managed to have some of its officers called before a committee of the Assembly, and by close cross-questioning they were made to yield a very considerable amount of excellent material for the construction of attacks upon the political relations of the bank. The *Colonial Advocate* and other papers of that stamp made free use of this data.

Reference has already been made to the attempt of the Bank of Upper Canada to obtain an addition to its capital stock. It was in January, 1831, that the bank petitioned the Legislature for the necessary amendment to its charter. The petition was to be referred to a committee of members specially favourable to the bank, but the radical element demanded to have Messrs. McKenzie and Perry put upon the committee. After much fencing and several direct trials of strength, a compromise was effected and Mr. Perry was put upon the committee. The attitude of the more radical element was represented by Mr. McKenzie in his statement, that, if the committee reported a bill in favour of the bank, he would use his utmost influence to have the bill defeated, and should he not succeed in that, or in his next effort to prevent the Governor from sanctioning it, he would personally go to England and endeavour to get the British Government to disallow the Act. That this was no empty threat on McKenzie's part was proved by after events.

In connection with the revived question of fuller returns on the part of the bank, a communication addressed to Mr. Jarvis, the member for York, and intended for the House, was sent by the Hon. Wm. Allan, president of the Bank of Upper Canada. In this he states that while the bank is prepared to furnish a more detailed account of its affairs than had been hitherto supplied, yet they were averse to having the officers of the bank called before a committee of the House and questioned, as was the case the previous session. However, they do not wish this concession of fuller information to be taken as a precedent, since they cannot undertake to furnish more information than their charter calls for without the consent of the stockholders.

As illustrating the great practical importance of the questions at issue during this period, we have concrete evidence of the prosperity of the Province in general, and the Bank of Upper Canada in particular, in the following reports of the Bank from 1829 to 1831. The shillings and pence are omitted:

	1829	1830	1831
Funds and property	£ 55,007	£ 32,883	£ 22,333
Capital stock paid in..........	72,410	77,462	100,000
Debts due to bank (discounts)..	169,088	214,045	260,577
Debts due by Bank (deposits) ..	47,792	38,303	33,621
Bank notes in circulation	121,623	156,296	187,039
Specie in the vault............	24,559	33,134	42,664

Of the first item about £6,500 represented the property of the Bank. It is evident, therefore, that the amount of capital invested in funds was being steadily withdrawn and devoted to discounts which had greatly increased in two years. Again, the deposits of the public with the bank had considerably declined, notwithstanding the increasing arrival of new settlers, many of them with more or less capital, which was usually temporarily deposited with the Bank of Upper Canada. The decline in deposits indicates the enlarging opportunities for investment. Almost the whole of the capital fund and note issue of the Bank was invested in discounts in 1831, leaving but a slender foundation in funds and specie to support the large floating business of the Bank. As it stood, the institution was ill prepared to meet a crisis, since everything depended upon the solvency of its debtors. However, for the time being its profits were large and its reputation high.

With the approach of another session of the Legislature, interest in the banking question, which had lagged somewhat during the summer, began to revive. The supporters of the Commercial Bank found the opposition in the Assembly practically confined to a few of the ultra radicals who, though not very coherent in their views, were evidently in favour of some kind of free banking. The idea was certainly growing in the country that banking facilities were the key to all prosperity, and that each centre of trade should have its own bank. This idea was propagated by the general scarcity of money, coupled with the policy adopted by the Bank of Upper Canada. Had the Commercial Bank been earlier admitted to a share in the field, and the two banks undertaken to establish branches in the leading towns in their respective districts, this exaggerated notion of the functions of a bank would doubtless have been corrected and some of the resulting evils avoided.

When the session opened, in the latter part of 1831, in addition to the petitions for a charter for the Commercial Bank, and for the extension of the capital stock of the Bank of Upper Canada, there was another from the District of Niagara for the establishing of a banking company at St. Catharines. This was symptomatic of the rising cry for new banks, soon to become so strong.

The Commercial Bank bill passed the Assembly with only a few radicals dissenting. In the Council, the majority, convinced at last of the futility of their opposition to the popular will, contented itself with a few verbal amendments and the changing of the name to that of the Commercial Bank of the Midland District. A few of the councillors had consistently opposed the bill, and the day following its passage in the council the Hon. Wm. Allan, President of the Bank of Upper Canada, entered his formal dissent, on the ground that to charter another bank was to lessen the value of all the bank notes in the Province, and on the further ground, that having once granted a charter to one additional bank, others could not be denied. It does not seem to have occurred to him that his own action had largely contributed to bring about the very prospect which he feared. The bill to increase the capital of the Bank of Upper Canada also passed both Houses of the Legislature and both Acts became law.

The charter of the Commercial Bank differed in no essential features from the amended charter of the Bank of Upper Canada, except that it had no connection with the Government. Its stock was fixed at £100,000 in shares of £25 each. The bank might begin business when £40,000 had been subscribed and £10,000 paid in. As usual the debts of the bank, over and above the cash then deposited in the bank, were permitted to extend to three times the amount of the paid-up capital. The bank had authority to establish branches in any part of the Province, and the charter was extended to June 1st, 1856. In the case of both banks a new and enlarged form for returns to the Government was prescribed. On the side of liabilities, information was required as to the amount of capital stock paid in, the amount of notes in circulation of $5 and upwards and under $5, and of any bills or notes bearing interest. Also balances due to other banks; deposits bearing interest, and those not bearing interest, and, finally, the total amount of liabilities. On the side of resources, particulars were required as to the amount of specie on hand; real estate; notes of other banks; balances due from other banks, amount of all other debts due to the bank, and lastly, the total amount of the resources of the bank. Other particulars required were the rate and amount of the last dividend, the amount of reserved profits after declaring the last dividend, and the amount of debts to the bank overdue and considered doubtful.

It has already been stated that there was a decided objection on the part of the supporters of the Commercial Bank to an increase in the stock of the Bank of Upper Canada until the Commercial Bank had been well established. As a concession to this feeling a clause had been introduced into the Act increasing the stock of the Bank of Upper Canada from £100,000 to

£200,000, requiring that the books of subscription to the new stock should not be opened for at least six months after the passing of the act. This gave the Commercial Bank six months within which to secure subscriptions before the stock of its rival came into the market. However, the country had become so convinced of the unlimited benefits and profits to be obtained from banking, that there was no lack of subscriptions for the stock of both banks.

The first board of directors of the Commercial Bank was elected on March 15th, 1832, and consisted of John Strange, Geo. W. Yarker, John Mowat, J. S. Cartwright, D. J. Smith, J. Marks, Robt. Drummond, A. Truax, J. G. Parker, and John Watkins. On the following day at a meeting of the directors, Mr. John S. Cartwright was elected president, and A. F. Harper was appointed cashier. The first instalment of ten per cent. on the subscribed stock was called in on April 1st, and a second instalment of the same amount on June 15th, after which the bank went into operation.

In the meantime the Bank of Upper Canada was advertising that subscriptions to its new stock would be received after August 1st, and, in addition to the usual dividend of eight per cent., a bonus of at least another eight per cent. was promised for the current year. As a result the new stock, amounting to £100,000, was considerably over-subscribed in a very short time. The effect of competition upon the Bank of Upper Canada was wonderfully stimulating, and, under the influence of a highly speculative mood on the part of the people, a new and feverish development in banking took place in Upper Canada, which, however, with its consequences will require another paper.

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COMMERCE AND THE STATE

"By Commerce are acquired the two things which wise men account of all "others the most necessary to the well-being of a Commonwealth; "That is to say, a general Industry of Mind and Hardiness of Body, " which never fail to be accompanied with Honour and Plenty. So that, "questionless, when Commerce doth not flourish, as well as other "Professions, ... that Kingdom, though otherwise never so glorious, " wanteth something of being completely happy."—*A Treatise touching "the East India Trade.* (*1695.*)

IT is proposed to examine, within moderate limits, the relations that exist between Commerce and the State, noticing at once the diversity of circumstance and of motive that govern the actions of the latter in its endeavors to establish, to protect and to develop the trade and industries of its country and peoples.

Whilst engaged in the preparation of this paper, it occurred to the writer that, at outset, some apology would be desirable for the reason that the paper in question did not treat of what might strictly be termed—a *banking* subject. On consideration, however, such apology appeared unnecessary on the ground that, whatever the particular branch of the science of Banking with which a writer should choose to deal, it remained an impossibility for him to exclude reference to that which so obviously is its very *raison d'être—i.e.* Commerce. The interests of Finance and of Commerce, indeed, are as inseparably associated as are those of medicine and surgery with life and health ; as are those of law with equity and order.

One other remark. It is a well-worn axiom that a banker, like a police-court magistrate, must essentially be a man of the world—an unerring judge of "*les hommes et les affaires ;*" a man, of necessity, in constant touch with the life and activities of the outer world in all its multifarious conditions—with its passing occurrences ; with its aspirations, its disasters and its achievements; with its feuds and amenities ; with the gossip of Exchange, and club and Lobby; above all, perhaps, with that on which economists (as the gifted Mrs. Fawcett) have laid stress—namely, the *tendency* of those conflicting currents that deviate or direct the uncertain course of its policy and thought. The position of the manager of a great bank is a unique one. Like a watcher on a mountain-top, he it is who first descries the faint gleam of a hopeful dawn; who first hears the mutterings of the storm.

The invaluable faculty to thus mentally note, to discriminate and to deduce being, as it will be granted to be, the outcome of the practice of a lifetime, this present paper has been undertaken in the hope of encouraging the newly-joined junior to look beyond the walls of his banking-room and its routine to what is passing around him. To such junior, as to the clinical students of that eminent physician, the late Sir Andrew Clark, the rule for his guidance should be: "Firstly, observe; secondly, observe; and lastly, gentlemen, *observe*."

Notwithstanding that in the common round of everyday affairs the well-ordered citizen of every modern civilized country is continually being brought into indirect contact with the State, yet it is seldom that that individual is rendered actually conscious of its supervision, or of its control and protection, the benefits of which it is his good fortune to enjoy. As a matter of fact—as noticed by Bastable in the Introduction to his "Public Finance"*—that which is so worthy of remark is, how very few there are of the actions of a Government which do not, directly or indirectly, bear upon the trade interests of a community. Whether we see the State in debate in House of Parliament, Reichstag or Senate Chamber, or giving instruction in a technical school; whether we see her conducting a coast-line survey, or sitting at the "receipt of custom"; whether preparing departmental statistical returns, or constructing (or helping by subsidy to construct) a canal or railroad; whether enforcing precautionary sanitary regulations, giving a decision in the courts in the case of a disputed bill of exchange, or stolidly doing "sentry-go" in some forlorn and forsaken corner of the globe—these and a multitude of other acts of duty, diverse in nature as they are, yet each and every one of them bear upon trade either as regards its establishment, promotion or protection, and re-act for the general good of the great World of Commerce.

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* *Public Finance.* C. F. Bastable, LL.D., 1892.

A little reflection, therefore, should convey to the mind the conviction that the contentment (or otherwise) of a nation is, in an incalculable degree, due to the able (or the misjudged) application by both legislative and executive bodies of the principles of political (or public) finance and economy, and to the many and intimate connections between the State and trade, with the prosperity of which the welfare of a people is so closely identified. Commerce, in short, is the life of a nation; hence "questionless"—to make use of the quaint wording of the old-world chronicler quoted above—"when Commerce doth not flourish . . . . . that kingdom, though otherwise never so glorious, wanteth something of being completely happy." Periods of prosperity cannot, in the nature of things, remain forever unbroken; sooner or later, through a variety of influences—as bad seasons and failure of crops, a state of war, strikes and civil disturbances, foreign prohibitive tariffs, ill-timed domestic legislation, etc.—that prosperity *must* give place to the sterner and less acceptable experience of adversity. With the alternation of "good times" and of "bad times," as they are called, we see every class and interest affected to the extent and in the measure that the resultant feelings of confidence or of depression sustain or demoralize.

The relations that exist between the State and national trade are governed by the condition of development, social and industrial, to which that country may have arrived. In the case of a comparatively primitive country, as our own Dominion for example, with a sparse population, vast unsettled territories and but little capital, the relationship referred to varies with that found in another and older country, flourishing under the occupation of a period possibly of centuries; whilst yet again, in a third and peculiar case, we have that of a country the government of which is in the hands of an alien and dominant people, without whose presence, on account of the ignorance and indifference of the native races, the work of development would never have been attempted. [Witness the position, and record, of England in India.] Further, as late even as the early years of the present century, merchants and others of all nationalities found it imperative to secure of their respective Governments armed protection and convoy on account of the prevalence of piracy, privateering and highway robbery—the offspring of the general lawlessness of the times. Now-a-days, it is of interest to observe, the trader appeals to the State, as guardian, for that protection and recourse that, for the most part, it is possible to effect by means of domestic legislation and foreign treaty. We have Statutes against the infringement of patents, trade marks and Copyright; against fraudulent imitation, adulteration, and other corrupt practices; merchant shipping acts, and factory acts, laws of conveyancing, of partnership, and of bankruptcy; arbitration treaties, and treaties for the promotion of reciprocal trade—these few of innumerable examples that might be given.

One of the most remarkable features of the nineteenth century has been the vast and increasing volume of inter-continental traffic, due to that which the late Duke of Argyll in his "Reign of Law" declared to be the most potent factor of modern times—the growth of mechanical (and electrical?) invention. The application of the discoveries of science to the problem of transit has effectually swept away that formidable and long-standing barrier to trade, namely, lack of speedy and economical means of communication, and has, incidentally, in some degree removed (though, it is to be regretted, has by no means removed in its entirety) the ignorance and national prejudices which so commonly existed. Trans-continental and trans-oceanic communication, the deep-sea cable, improved machinery, and an enlightened tariff policy, have, in combination, made possible the *profitable* interchange of even the most ordinary and trivial articles of commerce between every market of the world. Hence, the intense competition of the present day.

However extensive and flourishing the commerce of a country may be (or may have been when at its meridian), it must have passed through an embryonic stage—must have sprung from exceedingly slender beginnings. This statement applies with equal truth as regards the commerce of the Mediterranean in the early histories of Greece and Genoa, of

Florence and Venice; of the Atlantic seaboards in the days of mediæval England and France, of Portugal, Holland and Spain; of the Pacific at the hands of modern Germany, the United States, Russia and Japan—for, in every case each one of these nations, in its time and turn, has assumed the rôle of "Pioneer." The many nomadic tribes which in the early ages roamed over the face of what is now the continent of Europe, may, with a little latitude, be termed "pioneers;" for although their wanderings extended over a lengthy and indefinite period, they eventually did settle, as we know, and founded what are to-day the great peoples of the world. Strictly speaking, however, the early work of "pioneering" was carried on indirectly by the victorious advance of armies of invasion; in mediæval times it was undertaken by bands of intrepid adventurers whose private resources were invariably supplemented by State grants of money, men, ships and material—in proportion to the generosity or niggardliness of the reigning monarch. There are many sources available from which the reader may obtain the romance of the exploits and achievements of the bold Portuguese, Dutch and Spanish pioneers, also of their common enemies, the English and French—these latter themselves ever implacable rivals. Those were days when forts and ships and colonies were won, and lost, and won again; when to meet—at sea, a broadside and a boarding party: on land, a volley of arrows and musket-balls—followed as a matter of course.

In our own time, although many scientific expeditions—Polar, Equatorial and other—have been equipped at private, at public and at Government expense, the actual task of opening up a new country to traffic, and of working its natural resources has been entrusted to creditable and responsible corporations created by Royal Charter, exercising concurrently the functions of both civil and military administrators and of pioneer-traders. Adam Smith tells us that Queen Elizabeth granted a charter to a certain "Levant Company" for the purpose, as its title implies, of exploring the Mediterranean, at that time a *mare incognita* to English seamen; he adds, however, that "the experiment was a failure and a loss to the Crown." Again, Thorold Rogers refers to the case of the "Turkey Company" of the seventeenth century.* But we have more notable examples in the Honourable East India Company with its long and brilliant career (1600-1858); the South Sea Company (1719-1720) with its brief and shameful one; the Royal African Company of 1672 ("The Company of Royal Adventurers of England Trading to Africa") and its contemporaries, the French Senegal Company, and the Dutch West India Company. We may also mention as in full and active operation to-day (confining our notice for convenience to the African continent†) the German East Africa Company (1885), the Imperial British East Africa Company (1888), and that powerful amalgamation of which Mr. Cecil Rhodes is the leading spirit—the British South Africa Company (1889). The Bank of England, by the way, is accurately a "chartered company"; but we refer here, of course, to those companies only, as named above, which have been formed under charter for the direct purpose of pioneering. In this connection we should remark that we cannot now regard as such either the thriving and world-famed Hudson Bay Company of our own continent, as it has lost its original charter; or the late Royal Niger Company, its charter having been recently revoked, and its territories reverted to the Crown.

Of the many signal services rendered by the State to Commerce, one of the utmost importance is that of the maintenance of cordial relations with the Governments of foreign countries; for, where a state of war is declared, international law sets up an almost impassable barrier to trade, as regards belligerents and neutrals alike. Moreover, war creates a demand for enormous additions to current revenue which have to be met by extraordinary taxation, and by the floating of "war loans." The public debts of nations, if examined, will be found to be due almost entirely to special war expenditure. From the *Statesman's Year Book* for 1900 we extract a portion of a table showing the manner in which the British National Debt has been accumulated. It remains yet to be seen by what amount the debt will be increased by expenditure during the present Boer war, and through military operations in China. Whatever it may be, one should, in addition, take into account the loss involved through the temporary suspension of the Sinking Fund.

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* *Industrial and Commercial History of England.* J. E. Thorold Rogers, 1892.

† *Story of Africa.* Robert Brown, Ph. D., etc. 4 vols., 1895.

NATIONAL DEBT OF GREAT BRITAIN

At Revolution in 1688 debt amounted to £	664,263
Reigns of Queen Anne (including War of Spanish succession) and of George I to 1727, increased to	52,850,797
At close of "Seven Years War" from 1756	132,716,049
At close of War of American Independence, 1784	243,063,145
At Peace of Amiens, 1802	537,653,008
At Peace of Paris, 1815 (annual charges in connection with Debt £32,000,000)	861,039,049
Decrease during 40 years of peace of £56,812,695, the Debt standing in 1854 at	804,226,354
At close of Crimean War, 1855	837,144,597
Decrease since Crimean War of £209,582,012, leaving Debt at 31st March, 1899	627,562,585

One has heard a good deal, and has seen something, during the past few years of the possibilities of international arbitration. A growing dislike of war (as much on account of its disquieting effect upon the money market, as for its inhumanity) has begotten the desire to discover some means, practicable and honourable, by which disputes arising between civilized nations may be settled other than by appeal to the arbitrament of arms. The price that to-day is exacted for the maintenance of peace is hardly less appalling than the cost of war.

Business, absolutely soulless as it may appear, is nevertheless well leavened with sentiment, and this sentiment is recognizable either in a tacit understanding of good-will, or, as in instances, in a regrettable feeling of bitterness and of resentment. The relations that for generations have existed (and in a certain measure exist to this day) between England and France, is a case in point. By a decree of Napoleon Bonaparte, dealing in English goods was prohibited, a state of affairs that had the effect of creating an extensive contraband trade. It was not until 1860, the year that witnessed the ratification of the famous Commercial Treaty negotiated by Cobden and Chevalier, that, we learn, this severe restrictive system was modified.* The immense impetus given to the mutual trade of the two countries by this treaty was so remarkable that only two years later, Mr. Gladstone, in the course of his Budget speech, †stated that British trade with France during 1861-2, as compared with 1859-60, had been found to have *trebled*—or an increase of a little short of 200 per cent.! And this between two "natural enemies," so-called. One is convinced of the truth of Cowper's well-known lines :—

> "Mountains interpos'd
> Make enemies of nations who had else,
> Like kindred drops, been mingled into one."—("*The Task.*")

We have spoken of "war loans." It is not only, however, for the purpose of meeting the extraordinary outlay incidental to the carrying on of a campaign that a State may require substantial financial assistance. For example, it may adopt a scheme for the modernizing of its land and sea defences on an extensive scale, and for this reason be in need of much ready money for the purchase of battleships, guns, ordnance stores and the like from home contractors or from foreign yards and factories. Again, it may propose the construction of important public works, or of a series of public works, and in consequence find itself obliged to borrow from external sources the funds necessary to ensure the completion of the project. Of the first instance—that of purchasing warships, stores, etc. from foreign firms—we may name Japan and China, Chili, Peru and Brazil; the late Republics of the Transvaal and the Orange Free State; the contracts of the several Australasian Colonies placed in Great Britain, and, we believe, to some extent, Italy, Spain, Denmark and Turkey. Of the latter instance—that of raising loans for public works—we shall only mention one particular case as illustrative of many that may be gleaned from the history of any country—that of the Russian loans recently floated (and largely subscribed for in the United States) to be applied to the completion of the great Trans-Siberian railroad system, with its many branches, either projected or in course of construction, in the Caucasus, Turkestan and Persia in Western Asia, and in

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* "*Commerce of Nations.*" C. F. Bastable, LL.D., 1892.

† "*Financial Statements.* W. E. Gladstone (Speeches as Chancellor of Exchequer, 1853 and 1860-1863.)

Manchuria and the Korea in the Far East. It is eminently one of the most stupendous undertakings of modern times, and one that cannot fail in the future to prove itself an immense power in the hands of Russia—"awakening to life," as it does, "a whole fifth of the world's surface, long thought dead."* It should here be noticed that in respect to a Government loan for public construction purposes subscribed for abroad it is not necessary that the whole or any part of that loan should actually leave the pockets of the lending, or creditor, nation. Although Russia recently placed a loan of twelve million dollars with an American insurance company, and Wall Street absorbed another twenty-five million dollars worth of railway bonds, the whole of this immense sum will reach the Russian, not in specie or bullion, but in the form of imports from the United States of coal, ships, railway material and agricultural implements. Everything, it is said, from cross-ties to locomotives, is being supplied by American firms—millions upon millions of dollars' worth—and on orders that formerly have been shared by England and Germany. And Russia admits only one rival in the future—the United States of America!

Following the promotion of friendly relations abroad, we have to notice another matter in which the business world is again seen to be dependent upon Government—we mean in regard to protection by tariff legislation, and in the negotiation of commercial treaties. The two-fold purpose, of course, for which customs duties are imposed, is, firstly, in order to obtain revenue for the State, and in the second place, to afford protection in some degree to home products and manufactures against foreign competition. It is manifestly natural that any country on perceiving one of its industries to be suffering (possibly in danger of extinction) through the successful competition of the foreigner, it should hasten to apply some remedy to check the evil. The remedies invariably resorted to are the imposition of an import duty, or of an *additional* import duty, or the granting of a subsidy. This paper being substantially a mere recital of facts to the avoidance of controversial argument, we must dismiss the highly polemical question

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**Ext. from Review of "The Overland to Siberia."* A. R. Colquhon, 1900 of Protection vs. Free Trade with the remark that a summing up of all that has been said and written concerning the "pros" and "cons" of the subject leaves us with the impression that there is much to be urged on both sides of the case. The literature of the controversy, which has been contributed to by writers of many nationalities, is an extensive one, dating from the opening of the century, and much of it is available to the reader.

In order to demonstrate the influence of tariff legislation upon trade, it is only necessary to notice the state of affairs in Europe up to 1841. The history of European customs tariffs may be divided into three periods, of which the thirty years of reform from 1841 to 1871 present the most striking features. Prior to 1841 we find the trade of every country gravely contracted by the restriction of heavy protective (almost *prohibitive*) duties; then followed the second thirty-year period from 1841 to 1871, which witnessed sweeping and widespread reforms of which Great Britain was both pioneer and champion; and finally, the third period, from the close of the Franco-German War in 1871 to the present year, marked by a distinct protectionist reaction, partly as a result of excessive competition, but chiefly on account of the ever-increasing need of revenue.

Tariff reform in Great Britain will always be connected with the three names of Wm. Huskisson (1824-7) who carried out the earliest reforms; of Sir Robert Peel (1842-6) to whose labors was due the abandonment of the Corn Laws; and of William Ewart Gladstone (1853-63), to whose incomparable genius England is indebted for the greater part of the commercial freedom she now enjoys. A Parliamentary Committee, appointed in 1840 to examine the system of import duties, brought to light the following extraordinary condition of things.* On the list of "dutiable goods" were enumerated no less than 1,150 different articles, besides some 40 others coming under general heads. It was found that in 1838-9 the duties on nine articles yielded £18,575,000, or $\frac{6}{7}$ths of the total receipts slightly exceeding £22,100,000; 349 items producing in the aggregate only £8,050. Again, for the year ending 5th January,

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**Commerce of Nations.* C. F. Bastable, LL.D., 1892.

1840, the net produce of the Customs totalled £22,962,610, of which ten commodities produced £20,871,136, and six others £1,147,148; broadly speaking, the duties on 16 articles contributed over £22,000,000, while the remaining articles, to the number of over eleven hundred, produced less than £1,000,000! "Examined in detail," says Bastable, "many of the items yielded so little as to excite ridicule, e.g., in 1839-40 crystal beads, subject to a duty of 28s. 6d. per 1,000 gave 1s. 7d. revenue; extract of vitriol, subject to a 25% duty, 12s. 3d.; starch, at a duty of £9 10s. per cwt., 1s. 9d.; and Bruges thread, charged 15s. per 12 lbs., only 1s. 3d." By a series of much-needed reforms, the number of commodities chargeable had fallen by 1,853 to 466; in 1859 to 419; in 1860 (omitting sub-divisions) to 48. Of the year 1861 Mr. Gladstone declared that "it closed without leaving on the Statute Book of the United Kingdom one single properly protective duty of more than nominal amount."* These remissions, of course, entailed at first severe loss to the revenue, but this was quickly replaced in succeeding years by immense increases in receipts due to the more general consumption of those commodities that had previously been loaded down by excessive duties. [It has been the good fortune of the writer to be present in the British House of Commons during session on two or three occasions, one of which was a "Budget night," when the Chancellor of the Exchequer laid before the House—resolved into "Committee of Ways and Means"—the country's balance-sheet, together with estimates of revenue and expenditure for the ensuing year. The explanatory speech with which the Chancellor submits his statement and estimates is always followed with the keenest interest by the entire financial and business communities.]

The great reforms that we have seen in England were also general, though of a less sweeping nature, throughout Europe, with the one exception of Russia which declined to modify the extreme protectionist system as laid down in 1823.† Holland in 1847 and 1854; Belgium in 1850-1856; the Kingdom of Sardinia in 1851-3 (prior to the Unification of Italy); also Germany in the extension of the Zollverein or Customs Union, and in a less degree, Switzerland, Spain and Portugal—each of these countries carried out important reforms in their respective customs tariffs to the incalculable benefit of their mutual trade. But this was not all. During the last ten years of that remarkable thirty-year period of which we are speaking, and which terminated with the close of the war of 1870-1, there was a literal epidemic of Commercial Treaties between European States, France alone concluding no less than 14 International Treaties between 1860 and 1867.

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* *Financial Statements.* W. E. Gladstone, p. 187.

†*Commerce of Nations.* C. F. Bastable, 1892.

Thus we have attempted to show how the tariff policy of a Government may either make or mar the trade of a country; how essential to the interests of commerce is the maintenance of friendly relations with foreign powers; and to what extent Commercial Treaties, as that of 1860 between England and France, may operate to the mutual welfare of the participant nations.

But the State renders very material assistance to commerce in still other directions as yet unmentioned. For instance, by (*a*) Bounty, or Subsidy, as the sugar bounties of France, and the temporary bounty on the same article in the United States, which, however, under the McKinley Act of '91, is to cease in 1905; the bounties also paid by the Governments of New Zealand and of the Argentine Republic to encourage exports of meat and live cattle. Industrial enterprises may be subsidized to enable their promoters to compete successfully with other countries, as seen in the highly subsidized merchant shipping of both Germany and France; or, again, subsidies may be granted towards the initial cost of the construction of public works as railroads, bridges and canals. The State, too, assists trade in (*b*) the surveying, dredging, lighting and buoying of inland waterways and of coast-lines in the neighborhood of the great "trade routes" as they are called; in the disallowance of aggravating inter-provincial duties, of excessive dock dues, freight and other charges; in the examination of immigrants, and the rigid inspection of cattle and horses (whether exported or imported), and of perishable articles of produce. (*c*) By the publication of valuable departmental statistical returns and of

Consular reports; and (*d*) by the holding of industrial exhibitions, or by the contribution of exhibits to the exhibitions of foreign countries. Lastly (*e*) by the maintenance of State workshops, as in France and Germany to-day, not for profit, but with the object of giving technical instruction to manufacturers, mechanics and other skilled craftsmen; or, as in our own country, by means of Model Farms for the purpose of showing the farmer how he may cultivate his land to the best advantage, how to satisfy the requirements of particular markets, and as to the latest methods in dairying, fruit culture, etc.—in these and in many other ways that may occur to the reader, the State lends her encouragement to the industries, to agriculture, and to commerce in general.

Writing in a diametrically opposite strain, we might point out in what manner the State may even prove a *hindrance* to trade—through ill-considered legislation, through her own competition as a banker, and as a proprietor of railroads, factories and ship-building yards; of lands and mines, and forests—but we must conclude that which, we fear, has already overstepped convenient limits.

A. GORDON TAIT

Royal Bank of Canada,
Montreal, 25th August, 1900

GILBART LECTURES, 1900*

No. III

BY J. R. PAGET, ESQ., LL.D., BARRISTER-AT-LAW

THE ENDORSEMENT OF ORDER CHEQUES BY PAYEE

IF, as would appear from some of the reports of that case of *Bavins, Jun. & Sims v. The South Western Bank*, the bank clerk required an endorsement as well as signature of the receipt, I suppose he treated the document as equivalent to an order cheque, and required the endorsement because the bank were going to collect it for a third person, their customer. If so, though he was wrong as to the first part of his supposition, he was right as to the second. An order cheque must, of course, be always endorsed for collection. Or his action may have been prompted by that prevalent belief in the efficacy of an endorsement in all cases which has always been somewhat of a mystery to me. Let me show you what I mean.

NOT EXIGIBLE ON PRESENTATION BY PAYEE

A man comes into your bank with a cheque, "pay A. B. or order," drawn on you, says he is A. B., and presents it for payment. I take it the first thing you would do would be to ask him to endorse it. In some cases, I believe, banks refuse to pay without such endorsement. Now, how can this be justified? The cheque is alternative. A. B. has an absolute right to be paid, just as good a right as his endorsee would have. You may be entitled to evidence of his being A. B., although that scarcely seems consistent with what the House of Lords said in Vagliano's case about bankers having to pay or refuse payment at once. But the fact that a man writes a particular name is not very strong evidence that he is the man so named. You are entitled to a receipt, which an endorsement on the cheque is; but you are only entitled to a receipt if you tender one to the recipient of the money, and I do not consider the request to endorse equivalent to the tender of a receipt. If you refuse to pay merely on the ground that the person presenting the cheque will not endorse, I do not clearly see what is to prevent him suing your customer on the cheque as dishonoured, and the customer turning round on you for damage to his credit. I do not think a custom of bankers could be set up, inasmuch as it would run counter to the statute law as embodied in the Bills of Exchange Act, under which A. B. is entitled as against the drawer to have the money paid to him without endorsing.

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WHAT IS GAINED THEREBY

And what has puzzled me is, what you suppose you gain by requiring such an endorsement. There is only one thing I can think of. That is, that if the professing payee is a fraud, he may hesitate about signing his name. One of the reasons for the introduction of order cheques was the increased security they afforded, by reason of the recognized disinclination of the criminal classes to undertake the graver risk. I have rather forgotten my criminal law. I doubt whether it would be forgery to counterfeit an unnecessary endorsement; very possible it would be forgery of a receipt, looking at the endorsement in that light. However, I do not suppose the habitual, or any criminal, goes in for these nice distinctions; he has a general and salutary idea that writing somebody else's name for the purpose of getting money is forgery, as no doubt it generally is, and so you no doubt get by this means a certain moral deterrent. You may set off against this your possible right of requiring proof of identity, which you give up if you take the endorsement. What else do you get?

Suppose the person presenting the cheque, when asked to endorse, says, like the eminent divine to whom the signing of the thirty-nine articles was proposed as a test of his supposed heterodoxy, "Oh, certainly, if you will give me a pen." Suppose he does endorse, and you pay him the money. How is your position improved by his doing so? What answer can you make to your customer, if it turns out that the man is not A. B. at all?

ENDORSEMENT A RECEIPT IF NOT FORGED

You have got a receipt. But a receipt by a person not entitled to receive is no receipt at all. That point needs no argument. Do you think you get a discharge, or your customer gets a discharge? Under section 59 a bill is discharged by payment in due course by or on behalf of the drawee or acceptor. Payment in due course means payment made at or after the maturity of the bill to the holder thereof in good faith, and without notice that his title is defective. Holder is defined as the person in possession thereof as payee or endorsee, or as bearer if the bill is or has become payable to bearer. It must be someone who is capable of giving a discharge. If the person presenting the cheque as payee is not the real payee, he is not the holder, he is not in possession of it as payee, it is not a question of defective title, but of no title at all; he is a mere wrongful possessor, like a man who holds under a forged endorsement, you cannot treat him like the bearer of a bearer cheque, that is just the difference. So he cannot give a discharge, nor are you, the customer or the bill discharged by the payment.

That is the position before he endorses. How is it altered when you have got him to forge the payee's name by way of endorsement? Do you suggest that it makes him a holder, or the cheque payable to bearer? That will not do.

He himself as we have seen, has no right or title whatever in or to the cheque, and, of course, can give none, and a forged endorsement is an absolute nullity. Not only does it give no title, but it has absolutely no effect whatever on the rights of prior parties or the nature and character of the bill. If a bill is payable to A. B. or order, C. D. cannot, by forging A. B.'s endorsement, either make himself the holder, or the bill payable to bearer, or himself the bearer.

And apart from this, that is not the sort of endorsement which is required to make a bill originally to order payable to bearer. Endorsement implies negotiation, it is not complete without delivery. The Bills of Exchange Act says so. Section 2 defines "Endorsement" as "Endorsement completed by delivery." A man cannot endorse to himself. He cannot deliver to himself. When a payee endorses a cheque or bill, and keeps it in his own possession, he remains the payee. He remains the holder; he does not become the bearer.

It is only when there has been a transfer to a third party that the endorsement takes effect. Now, there is no transfer, no delivery in the case we are supposing, and, therefore, even were the endorsement a perfectly genuine one, you would be still paying the person presenting the cheque as payee, and not as bearer of a bearer cheque. *A fortiori* you do not pay him as bearer, nor is the cheque a bearer cheque where the endorsement is forged.

NEITHER STAMP ACT NOR BILLS OF EXCHANGE ACT OF ASSISTANCE

Does anyone suggest that you get, by such endorsement, the benefit of section 19 of the Stamp Act of 1853, or section 60 of the Bills of Exchange Act? So far as cheques are concerned, I much doubt whether the provisions of this section 19 of the Stamp Act of 1853 are now applicable. I think they are impliedly repealed by section 60 of the Bills of Exchange Act, a later statute dealing explicitly with cheques on the same lines. The section was not formally repealed, only because it was thought it might come in useful to meet the case of documents not strictly within the Bills of Exchange Act, such, for instance, as dividend warrants and those orders on bankers with which we have been dealing with regard to *Bavins, Jun. & Sims v. The London and South Western Bank.*

Even suppose it does not apply to cheques, or suppose that the document presented is one of such orders expressed to be payable to order, but presented by a person posing as the named payee, that section of the Stamp Act, 1853, will not avail you. I was at first disposed to think that its provisions left room for some doubt. It enacts that any such order which, when presented for payment, purports to be endorsed by the payee, shall be a sufficient authority to the banker to pay the bearer. But that will not do. In the first place, "when presented for payment" prevents the application. When presented for payment the document or the cheque does not purport to be endorsed by the payee, and you cannot get over this by telling him to endorse and re-present, if indeed the transaction by which he hands it back to you could be called a re-presentation. Again, when you know or suppose it is the payee who brings it, writes his name on the back at your request, and then hands it you again, there is no endorsement, which involves transfer, it does not purport to be endorsed, because you know it is not. This section 15 of the Stamp Act, 1853, was enacted for the protection of bankers dealing with order cheques, and you must therefore read "endorsed" in the legal sense in which it at that time applied to cheques and bills, which was the same as now under the Bills of Exchange Act. So this section does not help you. Does section 60 of the Bills of Exchange Act? That section provides that where a banker in good faith, and in the ordinary course of business, pays a bill to order drawn on him payable on demand, it is not incumbent on him to show that the endorsement of the payee or any subsequent endorsement was made by or under the authority of the person whose endorsement it purports to be, and the banker is deemed to have paid the bill in due course, although such endorsement has been forged or made without authority.

How can it be suggested that getting the ostensible payee to write his name on the back of the cheque secures this protection to the banker? The history of the section is against such an idea, but it will be sufficient to confine ourselves to the language. The whole wording of the section points to its only covering the case of a cheque presented to the paying bank by, or on behalf of, an ostensible transferee. The banker is only relieved from the necessity of showing that the endorsement of the payee or any subsequent endorsement was genuine or authorized; endorsement means endorsement as used in the Act, endorsement plus delivery, endorsement for the purpose of and effectuating transfer; where there is no such endorsement the section is inapplicable. A man cannot endorse to himself. As Mr. Justice Byles said in *Keene v. Beard*: "It is true "that a man's name may, and very often is, written on the back

" of a cheque without any idea of rendering himself liable as an " endorser. Indeed, one of the best receipts is the placing on " the back of the instrument the name of the person who has " received payment of it. Such an entry of the name on the " instrument is not an endorsement." Or to put it another way. The whole object of the section is to protect the banker, who in good faith, and in the ordinary course of business, pays a cheque on a forged endorsement, or held on a forged endorsement. Those are the terms invariably used by Mr. Chalmers, and I have no doubt he is right. But when you have a person who poses as payee, and you get him to endorse, you do not pay on the endorsement, nor does he hold on the endorsement. He holds as payee, and you pay him as payee. You cannot suggest he has endorsed to himself, or that endorsement without delivery constitutes him the bearer.

Or, again, if a person claims payment as payee, and you make him endorse, I think it would be difficult for you to contend that you were paying an order cheque as to an endorsee in good faith, and in the usual course of business. If you doubt the identity of the payee, and try to protect yourself, under section 60, by getting him to endorse, you would not be paying in good faith ; if the endorsement is unnecessary you are not paying an order cheque as such in the ordinary course of business.

Now that is the view I have long taken, and take of these endorsements, and their effect, or, rather non-effect. It may be said that it is not reasonable that the banker should be deprived of protection where the payment is demanded by the sham payee in his character of payee, whereas he would be protected if the sham payee forged the endorsement outside the bank, and claimed in the character of indorsee or bearer.

I can only say that these provisions of section 60 are exceptions to the general law that you only fulfil your obligations by paying to a person capable of giving a valid discharge ; the propinquity of section 60 and section 59 emphasizes this, as does section 60 itself, and to bring yourself within the exception, you must comply absolutely with the conditions on which it is granted.

DOCUMENTARY BILLS

DOCUMENTS MUST BE NEGOTIABLE

AND ATTACHED

Now let us turn to the next subject, namely, documentary bills. The idea of making a bill carry about with it its own security, its own credentials, is in theory an excellent one, but the limits within which it can be effected are necessarily restricted. For, to attain the full result, to ensure that every holder should obtain the full benefit of the security in as full a manner as he does of the bill, it is obviously essential that the document constituting the security and accompanying the bill should be as fully negotiable as the bill itself. You might pin a dividend warrant or a deposit receipt on to a bill, and each holder who took the bill might get the other document with it, but the transfer of the document with the bill would not give a title to it to the successive holders, far less a title independent of equities against prior parties. So that it is only where you have a negotiable document constituting or evidencing title attached to a bill that the bill becomes a true documentary bill, that is to say, a bill the holder of which acquires the full and absolute benefit of the security afforded by the document of title annexed thereto. And, of course, bills of lading are the documents most usually utilized for this purpose, being, when endorsed, negotiable documents of title to cargo. When you get the bill of lading with the bill, you get a lien over the cargo if the bill of exchange be dishonoured. But the operation of giving you that lien is effected by your getting the bill of lading. If there is no bill of lading with the bill of exchange, you do not, whatever the terms of the bill of exchange, get any hold on the cargo, except in the case of a double insolvency to which I will refer hereafter. As Mellish, L. J., said in *Robey v. Ollier* in 1872: "A mercantile man who is intended to have a lien on "a cargo expects to have the bill of lading annexed to the bill "of exchange; if there is no bill of lading annexed, he only "expects to get the security of the bill itself." No doubt that is the rule, and it is justifiable on the considerations I have pointed out to you.

SHAM DOCUMENTARY BILLS

At the same time, mercantile men seem occasionally to have been misled by the form and professions of what I may term sham-documentary bills; bills, that is, expressed on the face of them to be drawn against specific goods or securities. Take that case of *Robey v. Ollier.* A consigned a cargo by ship "Acacia" to B, and draws a bill on B running: "Pay to my "order £100, which place to account cargo per 'Acacia.'" B promises A to protect the draft. An endorsee was held to have no charge on the cargo, though B had refused to accept the bill.

Or, again, take *Banner v. Johnston* in the House of Lords, in 1871. There, under a credit, No. 20, a consignor of cotton was entitled to draw on the consignee against cotton purchased according to instructions. The consignee accepted a draft expressed to be drawn "against credit No. 20," received the cotton, but failed before the bill matured and dishonoured it. Held, nevertheless, that the holder had no charge on the cotton.

In the case of *e.p.* Denver in the Court of Appeal, in 1884, the actual numbers and marks of the chests of tea drawn against, as well as the name of the ship which carried them, were given on the face of the bill. There were other considerations in that case, but Lindley, L. J., said: "There is nothing "in the bills of exchange which can operate to transfer any "right of lien to the bill-holders. They do not acquire a lien "simply because the bills are drawn against the goods." And Cotton, L. J., used practically the same words. Those may seem hard cases, but are not really so when the reason is considered. The drawer is the original owner of the goods, he sends them to the drawee as cover for the bill. If the drawee accepts he becomes liable on the bill, he requires the security of the goods in order to protect himself, he has presumably only agreed to accept on condition of having the goods as security, his lien or charge really arises from the agreement to accept coupled with the acceptance. As Lord Cairns pointed out in *Banner v. Johnston*, where a bill is only to be drawn against shipments or bills of lading, the stipulation is for the assurance and protection of the drawee, and not for the benefit of those who negotiate the bill or the holder. Of course, if the drawee do no accept, he has no right to or lien on the goods or securities. But in such case, and so also if, having accepted the bill, the acceptor fails during its currency or dishonours it on maturity, there is a total failure of the purpose for which the drawer consigns the goods, the drawee's lien or charge comes to an end, and the natural consequence is that the drawer's right to the goods revives.

The drawer could stop them if they had not already reached the drawee's hands; or if they are in the drawee's hands already, he holds them at the disposition of, or as trustee for, the drawer. The matter of the goods is therefore one between themselves, arising really out of a contract collateral to the bill, although referred to on the face of it.

The only way, therefore, that any holder of the bill can acquire the rights of the drawer against the goods is by independent assignment and transfer of such rights to him by such drawer; and there are cases in which the holder's claim has been held enforceable on the ground that there had been such a transfer of the drawer's rights to him. Of course, even under such an assignment the holder takes no higher right than the drawer, he has no claim whatever on the goods until the bill is dishonoured or the acceptor fails; until and unless that happens, the goods are, as we have seen, the acceptor's cover for his acceptance.

So you may take it that however specifically and distinctly a bill may, on the face of it, express that it is drawn against goods or other security, the possession of that bill by the holder does not, of itself, give the holder any claim against the goods or securities.

DOUBLE INSOLVENCY

I told you there was an apparent exception to this rule in the not very common event of a double insolvency. The doctrine embodying this exception is known in legal circles as the rule in *ex parte* Waring, that being the name of the bankruptcy case in which it was first established.

The rule itself is sufficiently complicated, the reasons for it more complicated still; there is a law book dealing with this case alone, and Bench and Bar alike are somewhat apt to shelter themselves behind the authority of this text book. I remember when I was quite young a very astute lawyer advising me whenever I found myself in difficulties in a bankruptcy matter, to say boldly that the case fell within the decision in *ex parte* Waring, because, said he, "You may be pretty sure nobody will be in a position to contradict you." Mr. Chalmers, greatly daring, has formulated this rule, and, so far as my intelligence permits, I have verified and agree with his expression of it. You will find it at page 229 of "Chalmers on Bills," and it reads thus: "Where the estates of two insolvent parties, both "liable to the holders of bills of exchange, are administered "under the Control of a Court of Justice, and one of those "parties holds goods or securities of the other's as cover for the "bills, the holders are entitled to have the proceeds of those "goods and securities applied in payment of the bill, provided "that the goods or securities remained unrealized at the time of "the failure of the party holding them." If you care to follow the subject further, you will find illustrative examples and cases citied in Chalmers; but time will not permit me to go into it exhaustively here, especially as the concatenation of circumstances in which the rule can come into play cannot be of very frequent occurrence. Let me, however, just say this. It has been declared on the very highest authority, not in one case only, but in several, that the principle on which this rule is founded is the necessity of working out the equities between the two insolvent estates, each of which has a claim on the goods or securities forming the cover for the bill, which can only be satisfied by the application of the proceeds to meet the bill. It is not founded on, nor does it imply, any property or interest in the goods or securities on the part of the bill-holder. That is why I characterized it as an apparent, not a real exception.

But even as between drawer and acceptor, consignor and consignee, the doctrine of specific appropriation of goods or securities as cover for bills only holds good within certain limits, and where a certain course of business is strictly followed.

EACH SECURITY MUST COVER ITS ALLOTTED BILL

In order that the goods or securities, or their proceeds, should be unquestionably available to the drawer in the event of the drawee failing to accept, or, having accepted, failing to meet his engagements or to pay, it is necessary that the relations between the parties, the destination, appropriation and dealing with the goods or securities should all proceed on, and be strictly in accordance with, the scheme of making each security cover its allotted bill, or at any rate, treating the securities purely and simply as cover. If once you get off this line; if, however specific in the first instance the appropriation of a particular security to a particular bill, you lapse into a course of business under which the drawer recognizes the right of the drawee to utilize the proceeds of the consignment or security, even until required to meet the bill; if you get anything in the nature of a running account conducted on this basis; above all, if you find interest charged and received on such an account, the basis of the drawer's rights, and, I take it, of the estate of the drawee as against his own creditors, should he fail, with regard to the proceeds of such securities, fails. For the proceeds of such securities cease to be the subject matter of a trust or any other fiduciary relation in the hands of the drawee. Take the case of a banker who accepts bills for a customer, the customer forwarding other bills or shipping goods against the acceptances. It may very well happen that the remitted bills have to be collected or the cargoes sold, before the acceptance becomes due. If this is done, and the banker specifically allots or puts aside the proceeds to meet the acceptance; if, I will go so far as this, he even discounts the remitted bill before it is due, and sets aside the proceeds to meet the acceptance, then the appropriation stands good, the proceeds are affected by a trust or fiduciary relation, and if anything went wrong with the banker, the drawer would be entitled to claim this money as ear-marked, as money held in trust for him on a certain contingency, and the banker's creditors could not touch it. But suppose a different course of business, a not improbable and in no way improper one.

Suppose that drawer and acceptor, the latter being a banker or not, start a sort of running account, that the course of business as recognized between them is that the one draws bills which the other is to accept, and that the drawer undertakes by means of remitted bills or goods, to put the acceptor in funds to meet the bills. Suppose you find from the books that the course of dealing has been that the acceptor cashes the bills or disposes of the cargoes as he pleases, and carries the proceeds to the drawer's credit in general account, debiting him with the amount of the acceptances as he pays them; suppose you find he allows interest on the amounts realized by the remitted bills or cargoes, and charges interest on the acceptances paid, and that accounts have been settled between the parties on this footing. Now you can clearly see how that alters the whole relation. The drawer is allowing the drawee to deal with the proceeds as his own, the drawee becomes a debtor, not a trustee, just as a banker who receives money in the ordinary way from a customer is a debtor for the amount, not a trustee.

But, as is reasonable, this principle does not affect securities remaining in specie or unrealized in the hands of the drawee at the time of his stoppage. Say the drawee has at that date a cargo or bills of third parties in his hands, which he has received from the drawer as cover, and which he has not yet disposed of; the drawer is entitled to have them, or their proceeds, if they have been sold subsequent to the date of the stoppage, applied in payment of the acceptances, so as to relieve himself. If any of you care to pursue this subject further, you will find it very fully and lucidly treated in two judgments of the Court of Appeal, one called *In re Broad*, and the other *In re Suse*, both in 1884, and both reported in the 13 Q.B.D., and also in Vol. VI of the *Journal* of the Institute of Bankers.

LECTURE No. IV

PRIORITY OF ADVANCES WHERE SECURITY SUCCESSIVELY PLEDGED TO DIFFERENT PERSONS

I HAVE recently had to consider an interesting group of cases dealing with the question of the priority of advances, where the same security has been successively pledged to different persons. The cases have generally arisen between two banks, or between a bank and a third person, other than the pledgor. And they arise in this wise.

A man deposits with a bank the title-deeds of land, and by a memorandum he charges the land as security for all existing and future advances. He may even go so far as to execute a formal conveyance of the land, with a clause for re-conveyance on payment of all monies outstanding at any time, or, as happened in one Scotch case, the conveyance may be absolute on the face of it, but the bank may, by an independent document, acknowledge that the land is, in point of fact, held by them as security only. It does not matter how the security is constituted, so long as it is a security; so long, that is, as it can be deduced from the whole transaction that the real intention of the parties in dealing with the property is the protection of the banker, not his absolute acquisition of the property for all purposes, that the gist of the thing, in fact, is mortgage, not sale and purchase, as it were, on the hire system, to be paid for by existing and future advances. And, naturally, almost all dealings with property in favour of bankers would be of this nature; it is not part of your business to buy land, it is part of your business to become legal or equitable mortgagees of land to secure advances. And the leaning of the law, or rather of equity, in favour of regarding assignments of land, however absolute on the face of them, as really being mortgages, redeemable at any time on repayment of the monies due, where the object is that of security, is so strong that it is difficult to conceive any case in which a bank could really contend that it held property of a customer as absolute owner, except possibly where the customer's indebtedness had been ascertained, the account closed, and the customer had, instead of paying off the debt, definitely conveyed to the bank all his remaining rights, such as the equity of redemption, in satisfaction of the debt. That, of course, would be an exceptional transaction, and what I am now talking about is the more ordinary case where in one form or other the bank hold the property as mortgagees. But even when this is the relationship, when the property is distinctly recognized as standing as security only for past and future advances, an idea seems, at one time at any rate, to have prevailed that the security, being for all future advances, bound the customer not to go elsewhere for advances on that security; entitled the banker to an option to make them up to the value of the security, put the customer in the sort of position of a tied house to a brewer.

NO PRIORITY FOR ADVANCE AFTER NOTICE OF FURTHER PLEDGE

And, acting on this belief, banks have continued to make advances after they have received notice that the customer has pledged his remaining interest in the security to another bank for further advances, or even where they have had notice that the customer has disposed absolutely of that remaining interest, as to a purchaser. And they have sought to charge the advances so made after notice that the customer has parted with his residual interest on the security in priority to the advances made by the person to whom the residuary interest had been pledged, or in priority to the rights of the person who had acquired that residuary interest as a purchaser. But that contention has never been supported.

Hopkinson v. Rolt, decided in 1861 by the House of Lords, is the leading case. The appellants there were bankers, who had taken a security of this sort, and contended for their right to make further advances on it after notice of a second charge. But the majority of the House of Lords took the opposite view and held that their rights were limited to the amount outstanding at the date they received notice of the subsequent charge. Lord Campbell, then Lord Chancellor, expressed the reason of the position, and of their decision, very clearly as follows: "Although the mortgagor has parted with

" legal interest in the hereditaments mortgaged, he remains the " equitable owner of all his interest not transferred beneficially " to the mortgagee, and he may still deal with his property in " any way consistent with the rights of the mortgagee. How is " the first mortgage injured by the second mortgage being " executed, although the first mortgagee having notice of the " mortgage, the second mortgagee should be preferred to him " as to subsequent advances? The first mortgagee is secure as " to past advances, and he is not under any obligation to make " any further advances. He has only to hold his hand when " asked for a further loan. . . . The hardship upon bankers " from this view of the subject at once vanishes when we con" sider that the security of the first mortgage is not impaired " without notice of a second, and that when this notice comes, " the bankers have only to consider (as they do as often as they " discount a bill of exchange) what is the credit of their " customer, and whether the proposed transaction is likely to " lead to profit or to loss."

Now it is curious how often this question has cropped up again since that date in some form or other. I presume the parties thought there was some distinguishing feature in their own particular case. The House of Lords have twice affirmed their previous view in banking cases, viz., in *Bradford Banking Co. v. Briggs*, and in *Union Bank of Scotland v. National Bank of Scotland*, both in 1886, and the question came again before the Court of Appeal in 1898, in *West v. Williams*, when it was held to make no difference that the first mortgagee had bound himself by covenant to make advances to an amount not reached at the time he had notice of the second mortgage.

COVENANT TO ADVANCE IMMATERIAL

That seems a strong case, but the answer was that the covenant was to make further advances on the security of the property, and that as the mortgagor had by his own act deprived himself of the power to give the stipulated security, he could not have enforced the covenant, and therefore the further advances were purely voluntary.

PAYMENTS BY BORROWER AFTER NOTICE TO LENDER OF FURTHER CHARGE—APPROPRIATION

With regard to payments made by the borrower after the bank has received notice of the second charge, I think that is a question of appropriation. It seems to have been recognized in the *London and County Bank v. Radcliffe*, in 1881, that, after receipt of the notice, it was competent to the bank to appropriate payments in to advances made subsequent to the notice, and leave the advances existing at the date of the notice still chargeable on the security. But, failing such appropriation, the well-known rule in Clayton's case applies, and the earlier payments in are attributed to the earlier items of the debit account, and this would have the result of extinguishing the amount outstanding at the date of the notice, when, of course, the subsequent advances could not be charged on the security in priority to those made by the second mortgagee.

This general principle of not allowing the first mortgagee to get the advantage of advances made after notice of a second mortgage is not confined to mortgages or equitable mortgages of land. It has been extended to cases where the security is personal property, such as shares in a company. The residuary interest of the pledgor in such property, after he has first charged it, may not be so easily definable as in the case of land, but the principle holds good all the same.

Indeed, there are, in some of the cases, suggestions of grounds for supporting the principle which are altogether independent of the nature or character of the property. It is suggested that as each fresh advance must be matter of agreement, it is contrary to good faith that the first lender and the borrower should negotiate, and respectively make and receive fresh advances on a security which they both know the borrower to have pledged or assigned to a third party for valuable consideration. That seems to me a simple and sufficient ground, even if it stood by itself. Taken in conjunction with the other considerations I have put before you, it absolutely clinches the matter.

CONFLICT OF LAWS

I now come to deal with the question of the conflict of laws, as it affects bills. From the origin, object and nature of bills, it is clear that they are peculiarly open to questions and difficulties of this sort. I fancy the foreign bill was a prior invention to the inland bill. And in the case of an instrument which has its origin in one country, is transmitted to another or others, in which, or each of which, different parties assume liabilities or acquire rights on it, the various systems of law obtaining in those countries must necessarily be taken into account in determining the rights and liabilities of the different parties.

The Bills of Exchange Act, codifying and embodying previous decisions, has, to a certain extent, formulated rules for our guidance. But there are points on which it does not help us.

CAPACITY OF PARTIES

And the first question which arises is as to the law which governs the capacity of a party to contract by bill. And it seems to me that that must be determined by the law of the domicile of the contracting party. There is a contention that it is governed by the law of the place where the contract is made, but the Court of Appeal in the case of *Sottomayor v. De Barros*, in 1877, distinctly held for the law of the domicile, while the other theory has only the support of text-writers. And taking the law of the domicile as the governing rule, it certainly produces curious results. As I daresay you know, the age at which a man attains his majority differs in various countries. In Germany, for instance, it is twenty-three. So that a German of twenty-two who had been a resident of this country for some years, but had not lost his German domicile, might in England contract by accepting a bill, and yet, when sued on it, could successfully plead that according to the law of his domicile he was not liable on the ground of infancy. Or take the case of an Englishwoman with separate property, married to a foreigner whose domicile she thereby acquires. Suppose by the law of that domicile she is a mere chattel of the husband's, with no power to contract, as was the common law

DOMICILE GOVERNS

here not so very long ago. If she accepted a bill, or drew a cheque, I much doubt whether the Married Women's Property Act would avail against the law of the domicile. Or a foreign company, not having power by the law of its location to accept bills, might set up that defence against an English holder. I must say this seems somewhat unreasonable, but it seems the inevitable conclusion.

And next, as to consideration.

CONSIDERATION

The legality or illegality of the consideration, its validity and sufficiency, must, I think, be judged by the law of the country where the contract is made, or by the law of the country where it is to be performed, if the contract bears evidence that the parties contemplate performance at a place other than that in which it is entered into.

PLACE OF CONTRACT GOVERNS

Take the case of a promissory note given for a gaming debt in a country where gaming is recognized, and where there is nothing to invalidate bills or notes given for money lost at play, such promissory note not appointing any exclusive place for payment. I think such note could be sued on in the English Courts, even by the payee, notwithstanding the English statutes which declare such a consideration to be an illegal one. As Lindley, L. J., said in *Alcock v. White*, in 1892, with reference to the section of the Bills of Exchange Act, which defines defective title, and which embraces equally unlawful means and illegal consideration, "the means by which he got the bill were "not unlawful, they were lawful according to the law of the "place where the transaction took place," and the same must apply to the consideration. But I am convinced our Courts would never enforce payment of a bill, wherever executed, where the contract between the parties before the Court was based on a consideration really immoral, or so definitely opposed to the public policy of the country in which the remedy is sought that it would be a scandal to give effect to such contract. It is difficult to draw the line, possibly the distinction is between *malum* *per se*, a thing which is only wrong in itself, and *malum prohibitum*, a thing which is only wrong because the doing it is forbidden by law. And as I have intimated, where the parties by their contract on the bill contemplate the performance of the contract in another country, it is the law of the country where the contract is to be performed, not that of the country where it is made, which must regulate the validity or sufficiency of the consideration. There was the old case of *Robinson v. Bland*, where a man in France drew a bill on himself in England for money lost at play, and it was held by Lord Mansfield that that brought the question of consideration within the scope of English law. I am inclined to think that this projection of the performance to England, so to speak, need not be absolutely exclusive. I think an acceptance, payable at a London bank, without saying there only, or a promissory note which specified a London bank as the place of payment in a note, and not in the body, would be sufficient. I think any manifestation of the intention of the parties is enough, and that the conditions constituting, say, a qualified acceptance, are not essential in order to import the English law. But I doubt very much whether the drawer or indorser of a bill could ever invoke English law to free him from liability on a drawing or endorsement in a foreign country. The contract of the drawer or indorser is really one of suretyship. He undertakes that if the parties primarily or presumably liable in the first instance fail to accept or pay, he will pay the holder. His contract is, in such event, either to pay the holder wherever he may be, or to seek out the holder and pay him. That is not a contract, the performance of which is referable to any particular locality, and its validity in respect of consideration must be judged by the law of the country where the contract is entered into. I have always had some doubt how cheques stand in this respect.

Quaere AS TO CHEQUES

Suppose a man in a foreign country gives a cheque drawn on a London bank for a consideration legal in that country, but illegal here, can he be sued on the cheque here if it is dishonoured? If you look upon him merely as the drawer of a bill of exchange drawn on a banker, then clearly his contract is just the same as that of the drawer of any ordinary bill, it is a contract to pay if the banker does not, and so it is governed by the law of the country where it is made. On the other hand, although a cheque is not, in England, an assignment of funds in the banker's hands, it is, in a sense, an order to the banker to pay. Section 75 speaks of "the duty and authority of a banker "to pay a cheque drawn on him by his customer," and looking at the matter in this light, there does seem, in the case of a cheque, a certain element of contemplation by the parties that the contract will be performed at the place on which the cheque is drawn.

It is a difficult question, and when I had once to consider it, I did not find it easy to come to a very definite conclusion; but, on the whole, I think the cheque must be treated as a bill, and the drawer's real contract is only one to pay in default of the bank's doing so, and that therefore the legality of the consideration must be determined by the law of the place where the cheque is issued.

FORM

Coming to the questions of form and interpretation section 72 deals pretty fully with these matters, but I must explain some of what you will find in the text of that section. The whole system there enacted is based on the same rules as I have laid down to you with regard to foreign contracts; it applies those rules to the original contract on the bill, and also to those supervening contracts which result from endorsement and negotiation. And it even goes further; it provides that if a bill issued out of the United Kingdom conforms, as regards requisites, in form, to the law of the United Kingdom, it may, for the purpose of enforcing payment, be treated as valid as between all persons who negotiate, hold or become parties to it in the United Kingdom. That is eminently reasonable. It stops a possible loop-hole. But for that provision, a man who had endorsed a foreign bill in this country might repudiate his liability on the ground of some informality in the inception of the bill, according to the law of the country of its issue. He might say what he endorsed was not a bill, and so none of the provisions as to endorsers of a bill applied. But this section affords an answer to this contention; so long as the bill conforms to the requisites of a bill in this country, of which all persons dealing with it here are competent to judge.

INTERPRETATION

And the word "interpretation" in these sections has been legally construed to include the liabilities of parties consequent on such interpretation. Thus an endorsee under an endorsement in a foreign country takes such rights as such endorsement confers on him, with this exception, that under section 72, subsection 2, the endorsement of an inland bill in a foreign country, and the rights conveyed thereby, are as against the payor to be determined according to the law of this country. This exception gives rise to somewhat curious results, as exemplified in that case of *Alcock v. Smith*, to which I have alluded. Some countries, Norway, for example, do not recognize the principle of a bill being ever overdue. However long after date a bill is negotiated, no equities, according to that law, can attach. And this sub-section only touching the question of the payor, that is, as was held in *Alcock v. Smith*, the acceptor, it comes about that if an overdue inland bill is endorsed in Norway, the acceptor, if sued in this country could set up equities, whereas a previous indorser who might just as possibly have equities of his own, would be unable to avail himself of them. There is another curious point to notice about this section 72. So far as I can see, with regard to negotiation of inland bills abroad, it touches only cases of endorsement, and does not deal with negotiation of bills originally or become payable to bearer. Suppose such a bill negotiated by delivery when overdue in Norway, where, as I have said, the fact of its being overdue does not affect the taker with equities. It would seem that in such a case even the acceptor could not avail himself of the equities, whereas he could have done so had the bill been negotiated by endorsement and delivery. This seems an anomaly, and I can see no reason why the two methods of negotiation should not stand on the same footing.

PRESENTMENT, NOTICE AND PROTEST GOVERNED BY PLACE OF DISHONOUR

Section 72, sub-section 3, one of the sections bearing on this question, is somewhat puzzling in form. It provides that the duties of the holder with respect to presentment for acceptance and the necessity for or sufficiency of a protest or notice of dishonour, or otherwise, are determined by the law of the place where the act is done or the bill dishonoured. Two questions arise on this sub-section. What is the "or otherwise," and what is "the act which is done?" The principle which one may presume to underly the sub-section is fair enough. Under whatever law the drawer or indorser became a party to the bill or note, so far as his liability depended on acts to be performed at the place where it was payable, he was bound to expect that those acts would be performed in accordance with the law of that place, and not otherwise. A snare would be laid for the last holder of the instrument, if he had to follow the directions of any other law with regard to what he has to do there in order to preserve his recourse against previous parties. Take an example. A bill accepted in Paris is endorsed in England to a Frenchman in Paris. He presents it in Paris, and it is dishonoured. He cannot be expected to know the English law as to protest or notice of dishonour, it is therefore reasonable and proper that it should be sufficient for him to give such notice, if any, as is required by French law. Then what does "or otherwise" mean? Mr. Westlake, the eminent writer on international law, says these words refer only to the necessity or not of a protest. Why, I do not know. If it were a question between their applying to the necessity or sufficiency of a protest, or of notice of dishonour exclusive of the other, I should have thought they applied to the subject which is the nearer to them, namely, notice of dishonour. But I think that, at any rate, they apply to both, and mean this, that the law of the place is to decide whether or not a protest or a notice of dishonour is necessary at all, and, if necessary, then in either case what is the form, manner and time in which it is to be given. You might possibly read those words in even a larger sense, as referring not only to the question of protest or notice of dishonour, but as referring to the duties of the holder, and generally extending the application to the sub-section to all duties of the holder other than those specified. "The duties of the holder with respect to A. B. C. or otherwise," meaning with respect to any other duties. But I do not clearly see what duties devolve on the holder of a bill of exchange, in any case, other than those of presentment for acceptance and payment, and the protesting and giving notice of dishonour of the bill, so that I think the true interpretation of the words "or otherwise," is that I have indicated, namely, that the law of the place specified in the sub-section is to settle whether or not protest or notice of dishonour is necessary, and if either be necessary, the form, manner and time in which it is to be given.

Then the sub-section uses another ambiguous and somewhat inappropriate term. It defines the law governing the cases with which it deals as "the law of the place where the act is done or the bill is dishonoured." What is the act which is done? I think the draftsman meant it to refer to the duties of the holder with respect to presentment for acceptance or payment. The question as to protest or notice of dishonour seems distinctly referable to the dishonour of the bill. But even confining the words "where the act is done" to this part of the sub-section, the wording is curiously inapt. The section is designed to cover omissions as much as, or more than acts. Probably the laws of many countries excuse presentment for acceptance or payment in circumstances and on grounds other than those recognized by our law. Obviously the sub-section intends that the remedies of the holder shall be preserved so long as he complies with local law. In the circumstances supposed, he complies with that law by doing nothing, the circumstances under that law exonerate him from doing anything. He is justified in not presenting for acceptance or payment as the case may be. But the law applied by the sub-section is the law of the place "where the act is done." In the case supposed, no act is done, it is an act left undone, because not required by the law of the place.

On this ground Mr. Westlake contends that the words "where the act is done" must include omission, and Mr. Chalmers says that this is presumably correct. Act does not grammatically include omission, and when that amending act comes to pass, this sub-section ought to read " where the act is done or the omission takes place," or words to that effect.

There is another point to be noticed about this sub-section. The expression "the holder" must be confined to the last holder, the holder in whose hands the bill is at the time it is dishonoured. This must be so, otherwise you upset the whole rule as to endorsers and notice of dishonour .Take an instance. Suppose a bill is payable in Spain, is endorsed by A in England to B in England, and by B to C in Spain. C in Spain presents it, and it is dishonoured. Say that by the law of Spain the return of a bill to an endorser within eight days is good notice of dishonour. C six days after dishonour returns the bill to B. That is good notice of dishonour as regards B. B becomes the holder of the bill. So that, according to one reading of this sub-section, it would be good notice of dishonour if B in England returned the bill to A in England within eight days after he received it, that being according to the law of Spain "the place where the bill is dishonoured."

That, of course, as I say, is absurd, and therefore, in reading this section you must confine the term "the holder" to the last holder, the holder in whose hands the bill is at the time it is dishonoured.

Now that seems a fair crop of difficulties and ambiguities to be found in one short sub-section.

The remaining other provisions of the Bills of Exchange Act with regard to conflict of laws are comparatively plain sailing. They seem all fairly in accord with the general principle that the liability and rights of each party are to be regulated by the law of the place where the contract is to be performed, if the parties contemplate performance at any place other than that where the contract is entered into; if no such place be contemplated, then by the law of the place where the contract is made.

PLACE OF CONTRACT TO PLACE OF DELIVERY

With regard to the latter, namely, the law of the place where the contract is made, you must, however, bear in mind that the contract on a bill is incomplete, is inchoate, until the bill is delivered or issued. The mere signing a bill in any capacity does not constitute the contract.

In *Chapman v. Cotterell*, in 1865, the defendant, a British subject residing at Florence, agreed to join his brother in a joint and several promissory note to secure the brother's overdraft at a London bank. The brother in London wrote out the promissory note and sent it to the defendant at Florence. The defendant at Florence signed the note and returned it to his brother in London by post. The brother signed it, and handed it to the bank in London. And the Court held that the defendant's contract was made in London, not Florence, there being no contract by him until the note was delivered by his agent to the bank.

DELIVERY BY POSTING

It occurs to me that complications might very possibly arise from this view, though it is, of course, the correct one. Where a bill is signed by way of endorsement in this country, and then posted to another country, is the contract made here by delivery to the post office, or is it made abroad in the country where the letter is delivered? By section 72, sub-section 2, it is provided that subject to the provisions of this Act, the interpretation (which word, as we have seen, includes the obligations of the parties as deduced from such interpretation) of the drawing, endorsement or acceptance of a bill is determined by the law of the place where such contract is made. Such contracts are unquestionably made at the place of issue or delivery, and, as I say, curious questions might arise. It is not safe to assume that the moment you put a letter in the post that is a constructive or sufficient delivery to the person to whom the letter is directed. It is probably only so where the person to whom you want to make the delivery has directed or indicated that method of transmission. In a very recent case in 1898, in the House of Lords, *Badische Anilin, etc., v. Basle Chemical Works, etc.*, the question arose whether there had been an infringement in this country of the appellant's patent by the respondent, who had posted in Switzerland to a firm in London, goods which infringed the appellant's patent. The House held there had been no such infringement, on the ground that the London firm had, in giving their order to the respondent, specially said, " Please send us by post immediately so and so," thus making the post their agent, and not the respondent's. Lord Halsbury certainly said that it was not necessary that the carrier, in that case the post should have been named. If, according to the ordinary course of delivery, the carrier would be the person to receive it, that would be just as good for the purpose of the argument, as if the carrier had been actually named, but he specially added, "but we have not to consider that question here, because the carrier is named."

Lord Herschell, on the other hand, most distinctly and emphatically says it makes all the difference whether the purchaser, or other person to whom the thing is to be delivered, does or does not select the post. He says it makes just the vital difference whose agent the post is. He concludes: "You may "say that that is a very slight difference, but it is a vital difference, for, in the one case you can establish agency, and in the "other you cannot."

I know there are many cases, some of them of high authority, in which it has been held that the acceptance of an offer is complete as soon as the letter accepting it is posted. Some of them seem to have proceeded on the ground that the post was the agent of both parties, others on the ground that the person accepting the offer, having done a definite and practically irrevocable act by posting his letter, had precluded himself from going back on what he had done. But even in some of these cases we find that the post is defined as being the agent of both parties only for conveyance, not for actual receipt.

The delivery to a person who is only half the agent of the indorsee, and that half only for the purpose of forwarding or conveying, seems to me rather meagre to constitute delivery of a bill, apart altogether from what Lord Herschell said. So that I think it is rather a dangerous assumption to conclude that the mere putting a bill in the post here addressed to a person abroad necessarily renders the contract of the sender on the bill subject only to English law.

QUESTIONS ON POINTS OF PRACTICAL INTEREST*

THE Editing Committee are prepared to reply through this column to enquiries of Associates or subscribers from time to time on matters of law or banking practice, under the advice of Counsel where the law is not clearly established.

In order to make this service of additional value the Committee will reply direct by letter where an opinion is desired promptly, in which case stamp should be enclosed.

The questions received since the last issue of the JOURNAL are appended, together with the answers of the Committee:

Rules respecting endorsements

QUESTION 389.—(1) Bank A holds a cheque on Bank B payable to "The Bonshaw Creamery Co. (Buttermilk) or order." This company is non-existent and cheque is endorsed "The Bonshaw Creamery Co., being The Bonshaw Dairying Co., J. A. Robertson, Sec'y, John McManus, Treas." and also by Bank A with their regular endorsing stamp. Bank B certifies the cheque but refuses to cash on the grounds that endorsement is irregular and asks A to specially guarantee. A contends that the endorsement is regular and that B incurs no liability in cashing. Is A correct? (2) Supposing the officers endorsing were not duly authorized, would not B have recourse against A without a special guarantee?

ANSWER.—We think that the endorsement mentioned is regular (see paragraph 2 of the Rules and Conventions Respecting Endorsements), and that a guarantee would not give the paying bank any remedy against the presenting bank which it would not possess without a guarantee.

Estate of an intestate—Powers and responsibilities of the administrators

QUESTION 390.—John Smith, a business man, with a bank account, dies intestate. A relative is appointed administrator by the court in the usual way. He opens an account with the bank, headed "Estate of John Smith, Henry Smith, Administrator." Is Henry Smith authorized to carry on the business temporarily, buy new goods, etc., or must he wind up at once? If the former, how long can he carry it on? Has the bank any responsibility in handling such an account?

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*For blank form for questions, see last page.

Answer.—It is the administrator's duty in such a case to liquidate the estate. He cannot safely buy new goods even to carry on the business temporarily. If he bought on credit new goods even to complete and prepare for market goods belonging to the estate, he would become personally responsible to the seller for the price, and if the venture proved a loss to the estate he might have difficulty in freeing himself from personal responsibility for the loss.

We do not think that a bank assumes any responsibility merely by receiving money from the administrator and paying it out again on his order, even if the latter is exceeding his powers.

Sec. 74, Bank Act—Inapplicable to private bankers

Question 391.—Would an assignment of merchandise to a private banking firm drawn in the form provided in Schedule C to the Bank Act, 1890, hold good as against judgment creditors of the assignor? Does the said form of security come under the Bills of Sale Act and consequently require registration when taken by other than a chartered bank?

Answer.—The provisions of the Bank Act are applicable only to chartered banks, and a private bank could not validly acquire *unregistered* security in the form of Schedule C of the Bank Act. In the Province of Ontario a private banker is enabled to acquire warehouse receipt security under the provisions of an Act entitled "The Mercantile Amendment Act," but we do not know of any similar legislation in other provinces.

Endorsement of a cheque payable to a party as a guardian for others

Question 392.—A cheque made payable to "John Smith, guardian for Mary and Patrick Brown," is endorsed "John Smith, guardian." Is this sufficient?

Answer.—We think the full description is unnecessary, and that if he endorsed simply "John Smith," without any addition to his name, it would be a valid discharge.

Note with joint and several makers—One signing for the other's accommodation

Question 393.—A for B's accommodation joins with the latter as joint and several makers of a note in favour of C. At the time of its being negotiated to C, the latter has notice of the relation in which A and B stand to each other. B does not meet the note at maturity. Is it necessary in order that C may preserve his rights against A, that A should have notice of dishonour?

Answer.—It is not necessary that A should have notice of dishonour in order to preserve the holder's right to recover from him.

Note crossed "given for a patent right" and payable at the office of maker's bankers

Question 394.—Is a bank justified in charging to a customer's account a note of that customer which is crossed "given for a patent right," and is made payable at such bank; or would the bank incur liability in refusing payment of such a note, there being sufficient funds at the customer's credit at the time the note was presented?

Answer.—The bank would be perfectly justified in paying the note, but would not be *bound* to do so as between itself and customer, and would incur no liability in refusing to pay it.

Clearing House rules—Returned items

Question 395.—Has not the paying bank until three o'clock the legal right to refuse to pay cheque presented through the Clearing House even though there be a local rule limiting the time to twelve o'clock?

Answer.—The legal right of a bank to refuse payment of an item presented through the Clearing House is not affected by the rules of the Clearing House, but such an item cannot be returned *through the Clearing House* unless notice of the objection is given before twelve o'clock.

Insurance payable to a bank "as its interest may appear"

Question 396.—A bank holds security under section 74 on beef, pork and cured meats. The insurance policy lodged with the bank covers beef, pork, cured meats, lard and lard pails, bacon sacks, salt, and all such other articles as are used in a pork packing establishment. The loss, if any, under the policy is made payable to the bank "as its interest appears."

A total loss by fire occurs. Can the bank retain the whole insurance? If not, what are its rights?

Answer.—We think that the insurance must be apportioned to the various items which it covers, and that the bank is entitled to receive the portions covering beef, pork and cured meats only.

If the loss, if any, had been made payable to the bank absolutely, not limited to its interest in the property, the bank could, doubtless, collect and retain the insurance.

Shareholders' rights to inspect the books of a corporation

Question 397.—Has a shareholder in a bank or corporation a right to see the minutes of the board meetings?

Answer.—No. As far as shareholders in banks are concerned they have no right to see any of the books of the bank. Shareholders in other joint stock companies have certain rights, which, so far as the Province of Ontario is concerned, are indicated in sections 71 and 74 of "The Ontario Companies' Act."

Bearer cheque lost in mails

Question 398.—A cheque payable to bearer, drawn in settlement of an account, is sent by mail to the creditor. The cheque is negotiated by a bank, and on presentation is duly paid. It is subsequently found that the cheque never reached the hands of the party for whom it was intended, and it is thought that it was stolen and used by a clerk in his office.

Has the creditor any rights against the drawer of the cheque, or against the banks which negotiated and paid it?

Answer.—The banks which negotiated and paid the cheque are under no responsibility to the creditor, unless it could be made to appear that they were parties to the fraud. The creditor's rights against the drawer of the cheque would depend on the circumstances. If the drawer had been requested by the creditor to send the cheque by mail, the latter would have no recourse. If, however, the drawer sent the cheque by mail for his own convenience, we should suppose that unless the cheque actually reached the creditor the debt would be still unpaid.

Right of drawee of a draft to date his acceptance two days ahead

Question 399.—Has the drawee of a *sight* draft a *legal* right in accepting a draft to date acceptance at termination of the 48 hours (two days) allowed for acceptance? Could an acceptance so dated be legally refused?

Answer.—The holder is entitled to immediate acceptance, dated on the day of presentation, and if refused may treat the bill as dishonoured. The clause in question gives the drawee no rights whatever, but merely means that the holder may, if he thinks fit, give the drawee two days to make up his mind, without thereby releasing the drawer or previous endorsers.

Demand note with an endorser held as collateral security

Question 400.—Under section 85 of Bills of Exchange Act it is provided that where a note payable on demand has been endorsed, and with the assent of the endorser delivered as a collateral or continuing security, it need not be presented for payment so long as it is held as security. Must this assent be in writing, or may it be by verbal understanding?

Answer.—The assent may be written or verbal, but the latter would be open to practical objections in cases where the facts admitted of difference of opinion or dispute.

Draft with drawee's address wrongly given—Protest

Quetsion 401.—A draws upon B in Rossland by mistake; he should have drawn upon him in Nelson, where he has a place of business and residence. The item is sent forward to Rossland, subject to protest for non-acceptance. Draft is returned protested for non-acceptance. Inasmuch as the drawee has no place of business or residence in Rossland, and the draft was never presented to him, were there any grounds for protest?

Answer.—It would seem clear that the bill must be regarded as dishonoured by non-acceptance, and it was the holder's duty, in view of the instructions quoted, to protest the bill. The matter works out in this way:

If after the exercise of reasonable diligence presentment cannot be made to the drawee or to some person authorized to accept or refuse acceptance on his behalf, presentment is excused (41, 2, b), and the bill may be treated as dishonoured by non-acceptance (41, 2). The holder of a bill dishonoured by non-acceptance may, if he thinks fit, protest the same (section 51). In this case the agent of the holder was instructed to protest, and would not have acted in accordance with his duty if he had returned the bill without protest.

Draft purchased from a bank—Death of purchaser before delivery of draft to him

Question 402.—A customer ordered and paid us the money for a draft on Hong Kong, which we obtained from our home office. Before delivery he died. What is our position in the matter? The draft is payable to a party in Hong Kong, and we understand that our customer was forwarding the amount on behalf of others.

ANSWER.—We do not see that you can do anything but hold the draft until someone has taken out letters of administration. It is quite likely that it would be safe to send the draft to the payee, but if for any reason the payee was not entitled to receive the draft you would by adopting such a course make yourselves responsible to the administrator.

Assignment of book debts

QUESTION 403.—Referring to question No. 374, would an assignment of book accounts hold good as against other creditors if the debtors were not notified by the bank of the assignment?

ANSWER.—We do not think the notification of the debtors affects the matter one way or the other, but in the absence of notice the debtor might get a good discharge from the creditor or his assignee, and so the bank's security be affected.

Cheque in favor of John Jones paid to another party of that name

QUESTION 404.—(1) I make a cheque payable to John Jones. This falls into the hands of the wrong John Jones, who presents it, demanding payment. The teller, knowing him to be John Jones, pays cheque. Is the teller liable for paying to the wrong person? (2) Is the bank liable?

ANSWER.—Although the rule seems a hard one the payment in such a case is not properly made, and the Bank has no right to charge the cheque to the customer's account.

As between the bank and the teller, the latter is of course in the same position as if he paid the cheque on a forged endorsement.

Trust accounts

QUESTION 405.—(1) Is there any objection to opening an account in the following form: "Mary Brown, Administratrix, John Jones, Attorney," the power of attorney from Mary Brown to John Jones being duly lodged with the bank?

(2) If John Jones should draw a cheque for the balance of the above account and deposit it to a new account, as follows: "John Jones, in trust for Mary Brown, Administratrix," would the bank be under any responsibility for permitting such a transfer?

(3) If Mary Brown should revoke the power of attorney referred to in Question 1, would that affect John Jones' right to draw against his trust account?

(4) Would the bank be justified in refusing to pay the amount at credit of the trust account to John Jones, if so instructed by Mary Brown?

ANSWER.—(1) The account in this form, although irregular, has nothing in it to which objection need be taken. We think it must be regarded as the account of Mary Brown, Administratrix, with a statement that John Jones holds a power of attorney to draw cheques upon it.

(2) The transfer of the balance to the account of "John Jones, in trust," is one of those things for which the bank might or might not be liable. He had certainly full power to withdraw the money, and he also had power, without implicating the bank in any way, to deposit money to a trust account; but we should think there is a danger in this case of the bank being held to be a party to any breach of trust that may be involved.

(3) The revocation of the power of attorney would not affect John Jones' right to draw cheques on his trust account.

(4) We think that where the bank has been made aware for whose benefit the trust fund is held, they could not without risk pay it out to the trustee against the instructions of the *cestui qui trust*. But she could not demand payment from the bank. She must take legal proceedings in the usual way. The legal title to the money is in the Trustee, and the bank could not, except at its own risk, act without his authority. Under Ontario practice it can relieve itself from any difficulty by paying the amount into court.

Endorsement of cheque payable to "Mrs. John Smith"

QUESTION 406.—A cheque is drawn in favor of and endorsed, "Mrs. John Smith." Is the endorsement legal?

ANSWER.—If the cheque were endorsed in that form by the payee we think it would be a valid endorsement; see section 32, sub-section 2, Bills of Exchange Act; but the custom in such cases is for the Bank not to pay the cheque unless endorsed in the usual manner, as follows:

Mrs. John Smith or Sarah Smith
Sarah Smith wife of John Smith.

Sec. 74 Bank Act—Meaning of "wholesale" dealer

QUESTION 407.—Section 74 of the Bank Act allows Banks to take security from wholesale manufacturers, wholesale purchasers, shippers and dealers. Does this section admit of taking security under it from those who are known as "middlemen"?

Answer.—Many middlemen would be classed as wholesale dealers, and as such would come within the terms of section 74, if the business engaged in were one to which the section applies. The question could not, however, be definitely answered without fuller information.

Cheques issued with blank space before or after the amount

Question 408.—Referring to the report of the judgment in *Bank of Hamilton v. The Imperial Bank*, in the January issue of your journal, would not a ledger-keeper be justified in ruling a line in the unused space where the amount is written in a cheque?

Answer.—Yes, and we think it would be in the interests of the bank that he should do so.

Section 74, Bank Act—Loans to farmers against cattle

Question 409.—(1) May a Bank lend to a *farmer* against cattle under section 74 (2), Bank Act?

(2) Would a *farmer* who buys and sells cattle in considerable numbers be considered a wholesale dealer in live stock within the meaning of section 74 (2), Bank Act?

Answer.—(1) Not as a farmer.

(2) We do not think the number of cattle handled by a farmer settles the question of his being or not being a wholesale dealer. (An attempt was made at Ottawa to include in this section a definition of the word "wholesale," the point having come up for discussion among the bankers, then with the Government and afterwards in the House, but it was deemed best to leave the section as it is.)

Warehouse receipt for goods in bond

Question 410.—Can a warehouseman properly issue a warehouse receipt within the meaning of the Bank Act for goods *in bond*; or, in other words, are goods *in bond* in the "actual, visible and continued possession" of the warehouseman?

Answer.—We are of opinion that a warehouse receipt cannot be given for goods in bond, as they are in the possession of an officer representing the Crown.

The Customs' Act permits of the transfer of the property in the goods, and it would no doubt be practicable in some way to get security, but it cannot be by way of warehouse receipt.

Banking Reserves

Question 411.—(1) What is considered by practical bankers as a safe proportion of the Savings deposits to be employed in the ordinary transactions of a bank, I mean the deposits that can be withdrawn on sight, although the banks have the right to exact a notice before being called upon to pay.

(2) The same enquiry on Current Account deposits. An average proportion for city or town and country banking will do.

ANSWER.—The only answer we feel justified in giving to this question is to refer our correspondent to the returns of the chartered Banks furnished to the Government. An examination of these will disclose the average view taken on this subject by Canadian bankers.

Presentment for payment not excused by request from drawee to return the bill before maturity

QUESTION 412.—A has accepted a draft held for collection by Bank C payable at Bank B and the day before it falls due he instructs Bank C to return it to the drawers unpaid. Should Bank C present it at Bank B before returning?

ANSWER.—A's request would not excuse Bank C from duly presenting the bill on the day of maturity.

Power of Attorney authorizing a bank manager to accept a bill held by the bank for collection

QUESTION 413.—A bill drawn payable at Bank B is sent to Bank A for collection. The manager of the latter procures from the drawee a power of attorney to accept the bill on the usual form. Is Bank B entitled to require that this power of attorney shall be lodged with it when the bill is presented for payment?

ANSWER.—Yes. The bank is entitled to be put in possession of written evidence of the attorney's authority to accept the bill.

Payment by a bank of a customer's acceptance

QUESTION 414.—A customer of a bank has $100 at credit of his account and issues a cheque for that amount. Before the cheque is presented an acceptance for $50 is presented and is charged to his account. The cheque is afterwards presented and dishonoured on account of insufficient funds. The customer threatens suit for damages, giving as his reason that the bank was not within its right in charging the acceptance, which he did not wish paid. He has not, however, expressed such a wish to the bank. Has he any legal grounds for instituting suit?

ANSWER.—If the acceptance was made payable at the bank, the bank was justified in charging it to the customer's account unless specific instructions were given to the contrary.

Legal

LEGAL DECISIONS AFFECTING BANKERS

Judicial Committee of the Privy Council*

Fleming v. the Bank of New Zealand†

Dishonor of customer's cheque by mistake—Damages.

This was an appeal from a judgment of the Court of Appeal of New Zealand of February 4, 1899, reversing a judgment of Mr. Justice Pennefather.

Lord Lindley, in delivering their Lordships' reserved judgment, said the action was brought in New Zealand by the plaintiff against his bankers for dishonouring certain cheques. The action was tried with a jury, and the plaintiff obtained a verdict and judgment for £2,000 damages. The defendants appealed, and the Court of Appeal not only set aside the verdict and judgment but entered judgment for the defendants with costs. From that decision the plaintiff now appealed. The plaintiff was a farmer and stock dealer in an extensive way of business. He was a large buyer of sheep, for which he was in the habit of paying cash. He was in good credit, but in August, 1897, his account with his bankers was overdrawn to the extent of £859. He had made an arrangement with them for an overdraft of £1,200. The plaintiff had in August and September, 1897, a large number of sheep in the hands of the Southland Frozen Meat and Export Company, and those sheep were at the plaintiff's disposal and were available as a security if the plaintiff desired to borrow money upon them. Mr. Chisholm was the bank manager and Mr. Thompson was the manager of the Frozen Meat Company. On August 28, 1897, the plaintiff and Mr. Chisholm had a conversation about the plaintiff's overdraft; about the sheep he had in store with the Frozen Meat Company; and about further purchases of sheep which the plaintiff might desire to make. The plaintiff and Chisholm gave different accounts of the conversation; Chisholm maintaining that those sheep were to be a security for the plaintiff's overdraft, whilst the plaintiff maintained that no pledge of these was ever made. On September 4, 1897, the plaintiff drew on the defendants four more cheques for sums amounting in the aggregate to £658 17s. 2d. in payment of sheep then bought by him. In order to provide for the payment of those cheques the plaintiff asked Thompson to see Chisholm and to pay £1,000 into the bank to the plaintiffs credit to meet these particular cheques. Thompson knew nothing of the plaintiff's overdraft. On September 6, 1897, Thompson saw Chisholm and explained his mission, but proposed that, as a matter of convenience to the Frozen Meat Company, he should deposit a store warrant for sheep instead of cash. That Chisholm assented to. A store warrant for 2,250 sheep belonging to the plaintiff and valued at £1,000 was accordingly sent to the bank on the same September 6. Thompson then supposed that the cheques to meet which he had deposited the warrant would be paid on presentment. Chisholm appeared to have understood that the store warrant was to secure the plaintiff's old overdraft. Whatever the explanation might be the fact was that after Chisholm had received the store warrant, the cheques were presented and dishonoured. The next day Chisholm sent to the holders of the cheques, and they were then again presented and paid. The real controversy at the trial was whether the store warrant was deposited by Thompson to meet the four cheques drawn on September 4 or to cover the old overdraft. Another question was whether Thompson exceeded his authority in obtaining credit from the bank on the security of the store warrant instead of placing £1,000 to the plaintiff's credit at his bankers in order to meet the cheque. The difference between the plaintiff's instructions and the mode in which Thompson carried them out was practically of so little consequence to anyone that their Lordships were surprised that any real importance should have been attached to that variation from the plaintiff's instruction. It appeared to their Lordships to be plain from the evidence given at the trial that it never occurred to Thompson nor Chisholm nor to the plaintiff that anything could turn on the substitution of the store warrant for cash. They all treated the substitution as of no importance at all. Fourteen questions were submitted to the jury, and on their findings judgment was entered for the plaintiff for £2,000 damages and costs. The defendants appealed and applied for a new trial. They contended that the plaintiff had no cause for action, that evidence as to special damage had been improperly admitted, and that the damages were excessive. In the Court of Appeal all the members agreed that evidence of special damage had been improperly admitted and that the damages were excessive. If a new trial had been ordered, unless the plaintiff had consented to reduce the damages to £500, as suggested by Mr. Justice

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*Lords Davey, Robertson, Lindley, Sir H. de Villiers and Sir Ford North.

†*Times Law Reports*, Vol. xvi., p. 69.

Denniston, probably no further appeal would have been heard of. But the majority of the Court of Appeal went further, and held that the plaintiff had no cause of action and gave judgment for the defendants. That view is based entirely on Thompson's substitution of a store warrant for cash with the bank as above stated. Treating that deposit as unauthorized by the plaintiff, the Court held that there was no consideration for the promise by the bank to the plaintiff to pay the dishonoured cheques and the Court further held that the ratification by the plaintiff of the unauthorized deposit was too late to avail the plaintiff. For the reasons already given, their Lordships would not themselves have come to the conclusion that Thompson exceeded his real authority, or that the jury really meant to find that he had. Taking the eighth and ninth findings—that the plaintiff did not authorize Mr. Thompson to deposit the warrant instead of cash or approve his having done so— in connection with the evidence relating to them, their Lordships would not have understood the eighth finding as amounting to more than that nothing was said by the plaintiff to Thompson about depositing a store warrant. The further inference that Thompson exceeded his real authority in depositing the store warrant was, no doubt consistent with the finding; but such inference did not appear to their Lordships to be warranted by the evidence, and appeared to their Lordships to be opposed to it. They would not themselves have adopted the view taken by the Court of Appeal of the eighth finding or have regarded it as meaning more than was stated above. But, even if the Court of Appeal were right in regarding the eighth finding of the jury as a finding that Thompson really did exceed his authority, and thereby expose himself and the Frozen Meat Company to action for damages, their Lordships were not prepared to hold that, apart from ratification, no contract was proved between the plaintiff and the defendants entitling the plaintiff to sue them for a breach of it. The other answers of the jury contained all the elements necessary to constitute a contract between the plaintiff and the bank and a breach of it for which the plaintiff could sue. The authority to Thompson to obtain for the plaintiff as his principal, a promise by the bank to pay the cheques was proved. The promise by the bank to Thompson as the agent and for and on behalf of the plaintiff to pay the cheques was also proved. The deposit by Thompson of the store warrant for the sheep as the consideration for that promise was also proved. What more was wanted? Was it consideration, or was it consideration moving from the plaintiff? First, as to the consideration. In *Curri v. Misa* the question arose whether a cheque drawn by the defendant and made payable to Lizarde and Co., was given for consideration or not, and whether the plaintiffs were holders of the cheque for value. The case was an important authority on the meaning of consideration. Mr. Justice Lush in giving the judgment of the Exchequer Chamber, said:—"A valuable consideration in the sense of the law may consist either in some right, interest, profit or benefit accruing to the one party, or some forbearance, detriment, loss or responsibility given, suffered or undertaken by the other." That definition had been constantly accepted as correct. Their Lordships so treated it, and, if correct, it covered this case so far as some consideration was concerned. The deposit by Thompson of the sheep warrant with the bank conferred upon the bank some right, interest, profit or benefit, which was all that was required by the first half of the definition to constitute a consideration for the bank's promise to Thompson as agent for the plaintiff to pay the cheques which he had drawn and were outstanding. Moreover, Chisholm knew the circumstances under which the store warrant was deposited; and he was content to take it as the consideration for his promise. Next, as to the objection that the consideration did not move from the plaintiff. The doctrine that the consideration for a promise must move from the promisee was laid down in the text books (*e.g.*, in Leake in his Digest of the Law of Contracts, pp. 611 and 612), and held good in ordinary cases where a promise was made to one man for the benefit of another. But the authorities for the doctrine did not cover a case like the present, in which the consideration was supplied by an agent who obtained the promise for and on behalf of his principal. Chisholm was told that Thompson was instructed by the plaintiff to pay the bank £1,000, and if he had required it, that sum would have been paid accordingly. Chisholm chose with his eyes open to waive the payment in cash and to take the store warrant for what it was worth. Their Lordships were not aware of any authority for saying that in such circumstances the promisor could avoid performance of his promise to the third party on the ground that the consideration did not move from him; and to extend the doctrine to such a case would be wholly unreasonable. The above view of the case rendered it unnecessary to consider any question of ratification or to dwell on the decision of *Bolton Partners v. Lambert*, and its application to the facts of this case. The decision referred to presented difficulties, and their Lordships reserved their liberty to reconsider it if on some future occasion it should become necessary to do so. But, although their Lordships were unable to hold that the plaintiff had no cause of action, they agreed with all the members of the Court of Appeal in thinking that the learned Judge who tried the case was wrong in admitting evidence of the plaintiff's loss of custom and of credit from particular individuals. The details of that misreception of evidence were given in the judgments of the Court of Appeal, and it was unnecessary to refer to them again. The damages awarded by the jury appeared to their Lordships to have been exorbitant, considering that the plaintiff's cheques were honoured by the bank the morning after the afternoon on which they were dishonoured. The plaintiff was, however, entitled to substantial damages, and their Lordships would adopt the views of Mr. Justice Denniston that £500 would be ample. Their Lordships would, therefore, humbly advise her Majesty that the appeal ought to be allowed and the judgment appealed from be reversed with costs, and that a new trial ought to be directed unless the plaintiff consented that the damages should be reduced to £500, and that in the event of his so consenting he ought to be entitled to judgment for £500 and to the costs of the action. The respondents would pay the costs of this appeal in either event.

KING'S BENCH DIVISION, ENGLAND

Wakefield v. Alexander & Co. and Chaproniere & Co.*

The defendant, who was not a party to a cheque, at the request of the payee wrote his name on the back thereof, adding the words *sans recours.*

Held*, that under s. 16 of the Bills of Exchange Act, 1882, the defendant could negative his liability as endorser by adding *sans recours.

In this case the plaintiff sued the defendants to recover the sum of £201 14s., alleged to be due as the balance with interest of a cheque of which he was the holder for value and of which the first defendants were the drawers and the second defendants were described as the guarantors. Service had not been effected on the first defendants, who consequently did not appear. The second defendants denied liability.

It appeared that the plaintiff was in possession of 50,000 rifles and ten million cartridges, which he was anxious to sell on behalf of a foreign Government. He entered into communication with a Mr. Arnup, a commission agent, who in turn entered upon negotiations with Alexander & Co., who were in the habit of transacting their business at the office of the defendants Chaproniere & Co. Eventually it was agreed between Arnup and Alexander & Co. that the latter should purchase the rifles within six weeks. One of the terms of the agreement was that £1,000 was to be deposited in cash, and it

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Times Law Reports, Vol. xvii., p. 217.

was arranged that £300 should be paid at once. On April 22, 1900, Mr. Arnup met Mr. Alexander at the second defendants' office and Mr. Alexander proceeded to write the cheque now sued upon. It was drawn in favour of Arnup & Co. and signed Alexander & Co. Mr. Arnup objected to taking a cheque as cash had been stipulated for. Mr. Chaproniere then said that he would endorse the cheque too, and he endorsed it on the back in the name of his firm, adding the words *sans recours*. The cheque was subsequently transferred to the plaintiff and on presentation for payment was dishonoured. One hundred pounds was paid to him by Mr. Chaproniere at a later date, and he was compelled to bring the present action to recover the balance.

Counsel for the plaintiff contended that by section 56 of the Bills of Exchange Act the defendants Chaproniere & Co. were liable. That section provided that where a person signed a bill otherwise than as drawer or acceptor, he thereby incurred the liabilities of an endorser to a holder in due course.

MR. JUSTICE RIDLEY said that he was of opinion that there must be judgment for the defendants on the point of law. It was argued on behalf of the plaintiff that although the defendants were endorsers within the meaning of section 56 of the Bills of Exchange Act, they were not endorsers within the meaning of section 16, which provided that the drawer of a bill or any endorser might insert therein an express stipulation, negativing or limiting his own liability to the holder. The words, "any endorser" seemed, if they were to be strictly construed, to include anybody who could be called an endorser, whether he was strictly an endorser or *quasi*-endorser like the defendants. He thought that being *quasi*-endorsers, they came within the phrase "any endorser." There was nothing to show that the privilege of adding *sans recours* was confined to one who could give a title to the bill, and was not to belong to a quasi-endorser. Although it might seem strange that the name of a *quasi*-endorser with *sans recours* after it should be valueless, that seemed to be the deduction at which one necessarily arrived. The point was an important one. His reading of the Act was that a *quasi*-endorser might add the words *sans recours* after his name and so negative his liability. With the facts of the case he did not propose to deal. There were matters which ought to be decided by a jury and the plaintiff was at liberty to raise any question on them, although on the cheque there must be judgment for the defendants Caproniere & Co., with costs.

HIGH COURT OF JUSTICE, ONTARIO

Struthers v. Henry*

The defendant gave to the plaintiff a guaranty that in consideration of his endorsement for one F. of certain promissory notes for a large sum given by him for the purchase of a bankrupt stock, the defendant would guarantee the due payment of the amount of such notes at maturity, provided he was not called upon to pay in all more than $2,000:—

***Held*, that the effect of the guaranty was that it continued in force to the full extent of $2,000, until the last of the notes was paid, and that the defendant could not before such event relieve himself from liability by transmitting to the plaintiff $2,000 which he had received from F., being the proceeds of a portion of the stock.**

This was an action to recover $2,000 on a guaranty given by the defendant to the plaintiff.

The action was tried before Rose, J., at London, on September 26th, 1900.

The facts are stated in the judgment.

ROSE, J.—One J. C. Finch desired to purchase from the assignee of one M. P. Finch a stock of dry goods, including clothing and men's furnishings. He applied to the plaintiffs to endorse his notes to enable him to make the purchase.

The defendant gave the plaintiffs the following guaranty:

Springfield, Ont., Sept. 2nd, 1897

"To Messrs. R. C. Struthers & Co.,
"London, Ont.:

"Dear Sirs,

"In consideration of your endorsing notes for Mr. J. C. Finch, to enable him to purchase the stock of M. P. Finch from his assignee, I hereby guarantee the payment to you of the amount of the said notes at maturity, provided I am not to be called upon to pay in all more than two thousand dollars.

"And I hereby further guarantee payment of all renewals granted by you in respect of the said notes, or any of them, from time to time, and hereby authorize you to renew the same from time to time, without reference to me. It being understood that this is a continuing guaranty until the notes given for the stock, together with interest thereon and renewals from time to time made, are fully paid and satisfied. Provided in any case that I am not to be called upon to pay more than two thousand dollars."

Relying upon this guaranty the plaintiffs did endorse notes to upwards of seventeen thousand dollars. Two of the notes remained unpaid, the sum of them amounting to over five thousand dollars. This action is brought to recover $2,000 in respect of such notes.

The defendant pleads payment.

There is no dispute as to the facts. They substantially appear in the letter from J. C. Finch to the plaintiffs, dated the 2nd of July, 1900, in the following words:

**Ontario Reports.*

"Messrs. R. C. Struthers & Co., London:
"Dear Sirs,

"Mr. D. W. Henry will send you $2,000 to take up his guaranty for that amount in your favour. I had an opportunity to sell my clothing and gents' furnishing stock to Messrs. Christie & Caron, of Aylmer. The stock was transferred and money paid yesterday, and $2,000 was given by me to Mr. Henry to pay as above. I think I better stick as closely to the dry goods business as possible. Please send Mr. Henry his guaranty as soon as you receive the money. I am glad I have the guaranty disposed of, as I do not want Mr. Henry to have any interest in my business affairs."

On the 3rd of July the defendant wrote to the plaintiffs as follows:

"Enclosed please find $2,000 (two thousand dollars) in payment of guaranty given by me to you on the 2nd September, 1897, in connection with a purchase by Mr. J. C. Finch of this place, and of the stock of N. P. Finch. Please send me receipt, and return my guaranty properly cancelled."

The plaintiffs answered on the 4th of July to the defendant:

"Yours with $2,000 received. We cannot treat this as in satisfaction of your guaranty. You were to secure us against ultimate loss in respect of our whole indebtedness in respect of the purchase of the stock, balance of which is now $4,000. This $2,000 is money provided not by you but by Finch to our detriment as his creditor, and we cannot take it to be in any sense in satisfaction of your guaranty. We are content to apply the $2,000 upon Mr. Finch's debt to us, but we cannot release you from your guaranty."

The defendant replied on the 6th of July as follows:

"In reply to your letter of the 4th instant, I beg to say that the money was sent to you on the terms of my letter, to which I adhere."

By the document of the 2nd of September, 1897, the defendant guaranteed the payment of each and every note endorsed by the plaintiffs, and of each and every renewal until the last note was paid, so that, however, he should not be called upon to pay more than $2,000.

If Finch had made default in the payment of the notes first falling due, and the defendant had paid $2,000 in respect of them, of course his liability would be at an end, but until Finch paid all his notes, or until the defendant paid $2,000, the liability continued. The guaranty was not that Finch would pay $2,000 on account of the notes, but that Finch would pay each and all of the notes.

If the defendant's contention be correct and Finch had, the day after the guaranty had been given, sold a portion of his stock and realized $2,000 therefrom, he might have sent the money to the defendant to be forwarded as was done in this case, and the defendant's liability would have been at an end, although Finch might not pay anything further in respect of the notes.

I cannot think that this was the agreement between the parties. The effect of such an arrangement would have been that the undertaking of the defendant would have amounted to an undertaking simply that Finch would out of the sale of his goods apply $2,000 in payment of these notes.

It is clear that what the plaintiffs were contracting for, and what I think they obtained, was an undertaking from the defendant that until the last of the notes endorsed by the plaintiffs was paid, the plaintiffs would have the security of the defendant's undertaking to the extent of $2,000.

I do not think that the sending of the money through the defendant made any difference, and I find as a fact that the defendant has not paid $2,000, but that the money sent by him to the plaintiffs was a payment made by Finch, and not by the defendant.

If this is a payment by the surety, would it not equally have been a payment by him had Finch sent the money direct to the plaintiffs, instructing them to apply it in discharge of the defendant's liability?

Counsel were unable to find any decision in point, and I have not been able to find any case similar to this.

The defendant relied upon *Midland Banking Co. v. Chambers* (1869), L.R. 4 Ch. App. 398, but I am unable to see how it assists him. The point decided in that case was that where the surety had contracted himself out of the right to a dividend from the debtor's estate, in case of bankruptcy, until the creditor had been paid in full, he, the surety, having paid the creditor the amount of his liability as surety, the creditor was entitled to rank for the full amount of the claim without crediting the surety with the amount paid by him, and that it made no difference that the surety had realized the amount that he had paid out of land sold under a mortgage which the debtor had given to him by way of security or indemnity against loss under the guaranty.

That case followed *Ex parte Hope* (1844), 8 M. D. & D. 720, where Lord Justice Knight Bruce, then Chief Judge in Bankruptcy, said at p. 725: "I think that they" (the creditors) "must take the surety's rights, if they take them at all, as he had them himself; that they cannot make any claim against the creditors dividends which the surety could not have made; that he could not have made this claim, and that their petition must be dismissed." It is manifest that the question we are now considering was not there discussed.

There must be judgment for the plaintiffs for $2,000, and costs of suit.

UNREVISED FOREIGN TRADE RETURNS, CANADA

(000 omitted)

IMPORTS

Six months ending 30th December—	1899-1900		1900-1901	
Free	$35,845		$ 36,209	
Dutiable	52,675		52,558	
	$ 88,520		$ 88,767	
Bullion and coin	5,178	$ 93,698	2,819	$91,586
Month of January—				
Free	$ 5,496		$ 5,520	
Dutiable	8,548		7,511	
	$ 14,044		$ 13,031	
Bullion and Coin	81	$ 14,125	272	$13,303
Total for seven months		$107,823		$104,889

EXPORTS

Six months ending 30th December—				
Products of the mine	$ 6,635		$ 23,663	
" Fisheries	7,136		6,504	
" Forest	20,979		19,666	
Animals and their produce	37,190		36,974	
Agricultural produce	14,437		13,089	
Manufactures	6,468		8,063	
Miscellaneous	216		43	
	$ 93,061		$108,002	
Bullion and Coin	4,999	$ 98,060	1,132	$109,134
Month of January—				
Products of the mine	$ 1,078		$ 1,828	
" Fisheries	626		987	
" Forest	785		744	
Animals and their produce	3,134		2,890	
Agricultural produce	2,244		2,307	
Manufactures	1,076		1,006	
Miscellaneous	16		..	
	$ 8,959		$ 9,762	
Bullion and Coin	644	$ 9,603	125	$ 9,887
Total for seven months		$107,663		$119,021

SUMMARY (in dollars)

For seven months—		1899-1900		1900-1901
Total imports, other than bullion and coin		$102,564,000		$101,798,000
Total exports, other than bullion and coin		102,020,000		117,764,000
Excess	(*Imp.*)	$ 544,000	(*Exp.*)	$15,966,000
Bullion and coin, net	(*Exp.*)	384,000	(*Imp.*)	1,834,000

STATEMENT OF BANKS acting under Dominion Government charter for the months of December, 1900, and January and February, 1901, and comparison with February, 1900:

LIABILITIES

	31st Dec., 1900	31st Jan., 1901	28th Feb., 1901	28th Feb., 1900
Capital authorized	$ 82,608,664	$ 74,875,332	$ 74,875,332	$77,608,664
Capital paid up	67,087,111	66,436,769	66,560,838	63,876,310
Reserve Fund	34,501,349	34,910,349	35,092,654	30,261,307
Notes in circulation	$ 50,758,246	$ 45,025,306	$45,905,942	$ 41,699,231
Dominion and Provincial Government deposits	7,468,003	6,547,519	6,574,846	6,044,828
Public deposits on demand *in Canada*†	109,436,035	93,969,336	92,182,219	92,509,743
Public deposits after notice	188,479,500	204,038,710	207,096,610	174,696,918
Deposits elsewhere than in Canada	20,442,385	20,600,699	20,974,155	....
Loans from other banks in Canada, secured, *including bills rediscounted*	1,642,187	1,679,148	1,694,983	2,534,691
Deposits from and balances due other banks	2,823,710	2,903,467	2,453,557	655,605
Due to agencies of the bank and to other banks in United Kingdom	4,190,638	3,605,949	3,055,735	4,809,017
Due to agencies of the bank and to other banks elsewhere than in Canada and the United Kingdom.†	526,104	913,026	786,832	1,055,258
Other liabilities	6,383,600	5,675,667	6,027,727	616,159
Total liabilities	$392,150,481	$384,958,900	$386,752,685	$324,621,528

The changes in the Statement made by the Amendment of 1900 are indicated by italics. The figures for Feb., 1900, are to be read without reference to the lines or portions of lines in italics, except where the mark (†) appears, in which cases the old and new headings have substantially the same effect.

ASSETS

Specie	$11,773,336	$11,707,841	$11,839,628	$ 9,740,874
Dominion notes	19,785,173	20,607,552	20,628,391	17,725,845
Deposits to secure note circulation	2,387,973	2,392,973	2,392,973	2,056,344
Notes and cheques of other banks	16,401,559	10,881,999	11,736,806	8,963,163
Loans to other banks in Canada secured, *iucluding bills rediscounted*	1,607,186	1,644,137	1,659,972	494,461
Due by other banks in Canada	4,402,855	3,808,551	3,722,577	4,058,582
Due from agencies of the bank and from other banks in United Kingdom	5,249,232	8,396,426	5,475,825	9,495,472
Due from agencies and from other banks elsewhere than in Canada and the United Kingdom †	11,677,099	9,405,114	9,490,052	18,116,808
Dominion Government debentures or stocks	....	....	....	4,766,992
Dominion and Provincial Government securities	12,451,142	11,228,740	11,395,416	....
Canadian municipal securities, and British or foreign or colonial public securities other than Canadian	12,290,984	11,661,863	11,401,882	....
Railway and other bonds, debentures and stocks	25,507,842	27,127,047	27,496,605	31,530,274
Call *and short* loans on stocks and bonds *in Canada*†	33,981,478	33,250,433	33,389,719	30,020,819
Call and short loans elsewhere than in Canada	27,234,789	28,837,535	32,404,832	....
Current loans *in Canada* †	275,646,892	274,098,345	275,226,993	271,858,731
Current loans elsewhere than in Canada	20,079,290	20,034,576	20,042,273	....
Loans to Dominion and Provincial Governments	3,137,924	2,497,308	2,551,445	1,292,011
Overdue debts	1,924,422	1,871,167	2,242,934	1,879,505
Real estate	1,145,701	1,038,524	1,053,518	1,075,507
Mortgages on real estate sold	568,733	612,759	614,957	673,232
Bank premises	6,496,104	6,420,604	6,411,752	6,088,365
Other assets	7,792,097	6,097,525	6,313,958	2,793,309
Total assets	$501,542,015	$493,621,205	$497,492,718	$422,630,506
Loans to directors or their firms	$12,188,943	$12,834,058	$12,594,088	$7,989,443
Average amount of specie held during the month	11,700,040	11,680,085	11,518,309	9,793,677
Average Dominion notes held during the month	19,390,585	19,690,761	20,236,577	17,783,518
Greatest amount of notes in circulation during month	54,460,813	49,636,766	47,200,121	42,395,187

MONTHLY TOTALS OF BANK CLEARINGS at the cities of Montreal, Toronto, Halifax, Hamilton, Winnipeg, St. John, Vancouver and Victoria.

(000 omitted)

	MONTREAL		TORONTO		HALIFAX		HAMILTON	
	1899-00	1900-01	1899-00	1900-01	1899-00	1900-01	1899-00	1900-01
	$	$	$	$	$	$	$	$
March ...	62,043	54,882	39,012	40,581	5,285	5,868	3,021	3,171
April	50,003	55,915	33,035	38,842	4,472	6,004	2,858	3,099
May	56,475	62,332	34,374	43,215	4,798	5,984	2,932	3,493
June	63,756	65,543	41,189	44,545	5,461	6,187	3,224	3,342
July......	63,209	61,293	40,569	44,400	4,742	7,184	3,304	3,194
August ..	63,115	58,229	37,207	37,075	7,823	7,162	3,138	3,035
September	64,163	57,686	39,842	38,933	5,937	6,351	3,590	3,176
October ..	69,792	65,983	46,979	47,246	6,795	6,920	3,608	3,642
November	71,101	68,656	44,637	47,550	6,645	6,921	3,680	3,481
December	68,979	63,311	47,011	48,325	6,744	6,946	3,730	3,842
January ..	62,853	71,115	45,114	54,299	6,707	7,359	3,742	3,684
February .	54,250	51,138	37,864	41,946	5,354	6,116	3,040	2,922
	749,739	736,083	486,833	526,957	70,763	79,002	39,867	40,081

	WINNIPEG		ST. JOHN		VANCOUVER	VICTORIA
	1899-00	1900-01	1899-00	1900-01	1900-01	1900-01
	$	$	$	$	$	$
March ...	5,968	7,320	2,148	2,509	3,378	2,372
April	6,240	7,091	2,254	2,492	3,543	2,106
May	8,683	9,762	2,513	2,945	3,717	2,704
June	8,211	9,612	2,606	2,978	3,843	2,758
July......	8,169	9,395	2,753	3,468	4,286	2,986
August ..	7,995	8,173	3,103	3,561	4,391	2,875
September	8,281	7,320	3,004	3,340	4,301	2,639
October ..	12,689	9,183	2,814	3,362	4,956	3,070
November	14,435	11,618	2,903	3,115	4,008	3,151
December	12,966	10,869	2,963	3,213	3,686	2,443
January ..	9,906	9,623	3,033	3,092	3,369	3,257
February .	6,702	7,158	2,342	2,742	2,674	2,181
	110,245	107,124	32,436	36,817	46,152	32,542

QUESTIONS ON POINTS OF PRACTICAL INTEREST

FORM FOR QUESTIONS

The Editing Committee

Journal of the Canadian Bankers' Association, Toronto.

Please give your opinion on the following point by mail*
in the next issue of the Journal

Question :

If the question does not call for an answer by mail, the enquirer's name need not be given if he so prefers.

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*If answer is desired by mail, stamp should be enclosed.

Vol. VIII] [Number 4

JOURNAL
OF THE
CANADIAN BANKERS' ASSOCIATION

JULY—1901

THE HISTORY OF CANADIAN CURRENCY, BANKING AND EXCHANGE*

VI. EXPERIMENT AND INFLATION

THAT period in the history of Canadian currency and banking upon which we have now to enter, is of a very varied and complex character. For the first time in the development of the colony, the real nature of money and the true function of banking had to be seriously considered by the exponents of public opinion. The immediate result was the production of a great variety of views and doctrines on the subject of money.

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*Chief sources :—

Journals of the Assembly and Legislative Council, Upper Canada.

Dominion Archives, State Papers, Upper Canada.

Statutes of Upper Canada.

British Blue Books relating to Canada, 1834-36.

Bill for establishing a Provincial Bank in Upper Canada, (1835).

Thoughts on the Banking System of Upper Canada, and on the Present Crisis. Toronto, 1837.

A History of Banking in the United States, by Wm. Graham Sumner, N.Y., 1896.

The Quebec Gazette, 1833-36.

The Patriot and Farmers' Monitor, York, U.C,, 1834-35.

The Brockville Recorder, 1834-35.

The zeal with which the various schemes were advocated and defended was not always proportioned to the information or insight of their respective champions. Elements of discord were introduced by the growing bitterness of political faction. To add to the difficulties of the period, the Home Government, in its usual spirit of cheerful ignorance and blind benevolence, attempted untimely interferences and suffered loss of prestige through awkward retreats. Finally, the very active but bewildering influence of American commercial enterprise and monetary experiment introduced into Canadian affairs elements of great uncertainty. With all these influences operating at the same time, there is little marvel that we should find the exchange conditions of Canada, during the thirties, somewhat of a jungle. When unravelled, however, the period is both interesting in itself and instructive for the future.

It may be remembered that McKenzie was strongly opposed to the granting of a charter to the Commercial Bank, and that, in his opposition to the enlargement of the capital of the Bank of Upper Canada, he had dramatically registered a vow that should he not be able to defeat the bill before the Assembly, or the Council, or the Governor, he would go to Britain and do his best towards having the Home Government disallow the act.

He was as good as his word, for, shortly after the acts were passed, he set out for London in April, 1832. He had, of course, many other grievances to ventilate on behalf of himself and the faction which he represented. The gracious reception which he met with at the hands of Lord Goderich, who then presided over the Colonial Office, enabled him to gain, for a time, the ear of the Home Government. He had several interviews with the Colonial Secretary, who seems to have recognized in him an earnest but troublesome agitator, and, with the politician's instinct, sought, though without success, to quench McKenzie's fire in the tranquil routine of a lucrative public office.

Not being able to get a very coherent account of the Canadian situation from McKenzie's empassioned declamation, that eccentric gentleman was asked to put his case concisely in writing. In response to this invitation he poured forth his soul in grievances for the space of six days and six nights without intermission. A transcript of the product fills a large folio volume in our Canadian Archives.

A considerable portion of this screed is devoted to the subject of the chartered banks, and particularly the Bank of Upper Canada, the malevolent influence of which, as there pictured, was indeed alarming. McKenzie had much correspondence also with the Board of Trade, and, as a result, the Government, content as often with one side of the story, undertook to disallow both the bank acts.

When rumors of McKenzie's doings reached Upper Canada, there was consternation in the counsels of the Compact and more serious results for the commerce of the country. When Hagerman and Boulton were dismissed from office, and the Compact realized what it was to have its own ox gored, these hitherto devoted loyalists, who adored monarchy and abhorred republicanism, talked wildly of tyranny on the part of the Colonial Office and of ruin, rebellion and appeals to the neighbouring Republic for rescue. McKenzie and the Radicals, on the other hand, in unaccustomed phrases extolled the beneficent connection with a righteous monarchy, and hailed Lord Goderich as a Daniel come to judgment. But McKenzie's triumph was, in most respects, of short duration. While he was still in London, Lord Goderich left the Colonial Office, and was succeeded by a potentate who knew not Joseph. The wrongs of the Compact were righted, the rights of the Radicals were disregarded ; each Canadian party resumed its normal political clothing and spoke its accustomed dialect.

The banking matter, however, was not so quickly settled. Rumors were current in both provinces, early in 1833, to the effect that the Home Government had adopted a new policy with reference to colonial banking. But it was not till McKenzie's letter of May 31st was printed, that the public had any definite idea of what had been done. In this letter McKenzie takes to himself the credit of having induced the Home Government to disallow the bank acts. The Lords of the Treasury, the Board of Trade and the Colonial Office were represented as at one on the subject. He went on to explain that it was not intended to destroy these banks, but to insure that in future the people should be protected from mismanagement on the part of the directors. Instructions were expected to be sent to the Governor of Upper Canada, which would prevent in future all attempts to monopolize for political and personal ends the currency of the country. "That His Majesty in Council has dissolved these acts is a fact on which you may place the most implicit dependence; the people of Upper Canada ought to be for ever grateful to the Crown for this special mark of its wisdom and goodness."

Shortly after this, the Lieut.-Governor received the official dispatches with reference to the banks, and communicated their substance to the president of the Bank of Upper Canada. They contained certain instructions for the regulation of the banks, which had been suggested by the Committee of the Privy Council for Trade and Plantations, "with a view to the security of the public, and to prevent fluctuation in the amount and value of paper money." It was expected that the Home Government would recommend to the Legislature, at its next session, an amended act, containing the suggested improvements. The Governor sought the opinion of the president and directors of the Bank of Upper Canada on the subject.

As the result of the attitude of the Home Government, both banks, but especially the Commercial Bank, whose whole business depended upon the threatened charter, began to curtail their discounts; the one with a view to falling back within its former limits, and the other to face the possibility of having to immediately wind up its affairs. The effect upon business was very severe, and several failures resulted. The consequences would have been more serious had not the Bank of Montreal come to the rescue of the merchants and others deprived of their discounts.

However, the alarm of the banks was soon allayed by letters from Messrs. Hagerman and Boulton, then in London, who, on learning of the proposed action with reference to the bank charters, protested against any hasty decision on the part of the Government. As a result, Hagerman was given to understand that nothing further would be done till a reply had been received from Canada. The banks were thus relieved from all immediate anxiety, and encouraged to believe that, by a strong representation, ultimate interference might be avoided. They accordingly resumed their usual discounting, and the crisis was over.

At the next session of the Legislature the matter was brought up and referred to a select committee, to whom was submitted the dispatches on the subject. The special conditions which the Home Government wished to have introduced into the new charters may be summarized as follows:—

1 Suspension of cash payments for sixty days to result in forfeiture of the charter.

2 Notes issued at any branch to be redeemable both at the branch and at the head office.

3 One-half of the capital of the bank to be immediately paid in.

4 The amount of discounts on paper bearing the name of a director or officer of the bank to be limited to one-third of the whole discounts.

5 The bank must not hold its own shares, or make advances to shareholders on the security of their shares.

6 A statement of the affairs of the bank, as prescribed in the charter, to be prepared weekly, and from these statements a half-yearly return to be made.

7 The shareholders to be liable for double the amount of their shares.

8 The funds of the bank not to be loaned upon the security of land or other property not easily disposed of. Nor should the bank hold such property beyond what is necessary for carrying on its business. It should not own or be interested in merchandise further than may be necessary to realize securities. The business of banking should be confined to the legitimate operations of banking, namely, advances upon commercial paper or Government securities, and general dealing in money, bills of exchange, or bullion.

All these conditions were to apply to the Commercial Bank, but only the 2nd, 4th, 6th and 8th were to apply to the Bank of Upper Canada as a whole, and the 3rd and 7th to the new shares.

Looked at from the point of view of our present banking regulations, there appears to be nothing very objectionable in these conditions. Indeed several of them were not only admitted at the time, but regularly acted upon; such as the 3rd, 4th, 5th and 8th. The 1st was held to be sufficiently secured in the charters as passed, and the 6th was objected to merely as inconvenient; quarterly or half-yearly reports being held to be quite sufficient. The 2nd and 7th conditions, however, were strongly opposed. The second was opposed because it would require each bank to keep on hand double the normal amount of specie to meet the same notes at the branches and the central office. Expense and difficulty of transport had also to be considered. Double liability was strongly objected to on the ground that those possessed of considerable property would not invest in bank stock on account of the risk involved, while those having nothing to lose, beyond their bank shares, would remain the only stockholders, and the very security aimed at would be made impossible. Even if wealthy men should take stock, they would likely, as directors or through their general business, know more about the affairs of the bank than others, and if it were at all liable to fail they could simply sell out their stock and cease to be liable. Hence, it was urged that the result of this regulation would be to render the banks less secure than at present.

However sincere those who advanced these arguments may have been at the time, yet within the next three years we find several of them successfully arguing for the incorporation of this latter condition in all new bank acts.

But whether the conditions were admissible or not, the majority of the Legislature were opposed to amending the charters already passed. Again it was shown that, where their own interests were at stake, none could be more radical than the ultra loyalists. It was maintained by all parties that the Home Government, while it had technically the right to disallow acts, had, in reality no right to interfere with matters of purely local interest. Moreover, there was no reason why the bank acts of Upper Canada should be specially interfered with, while similar acts, passed at practically the same time in Lower Canada, had not been questioned.

Though sharing these views, the president and directors of the Commercial Bank were yet so fearful of their charter being disallowed, should the proposed amendments be declined, that they were prepared, as the lesser of two evils, to accept an amended charter. A bill for this purpose was introduced into the Assembly, but the majority were so strongly opposed to the concession that it was thrown out. In the meantime, McKenzie, through his paper, the *Colonial Advocate*, was steadily defending the Home Government against the Tory loyalists as seeking to maintain a vile American system of banking. In the issue of February 6th, he threatened that unless the banks accepted the prescribed amendments to prevent "scandalous bank jobbing," he would publish five thousand pamphlets urging the people to make a run on the banks.

Notwithstanding these threats, strongly worded addresses were sent by the Legislature to the King, protesting against the interference of the Home Government in the purely local affairs of the colony, representing the inconvenience and commercial distress which would result from the disallowance of the bank acts, and praying, therefore, that they be not disallowed.

The reply to this, dated May 28th, 1834, was received through Lieut.-Governor Colborne at the next session of the Legislature, January, 26th, 1835. In this Mr. Stanley, the Colonial Secretary, makes his retreat, saying that in view of the confusion and distress which would result from the disallowance of the bank acts, the King will not disallow them. At the same time he attempts to defend the constitutional right of the Crown to interfere in such matters, and expresses surprise at the heat with which the Assembly protests against the exercise of that right, even to the extent of casting doubt upon it.

In the meantime, efforts were being made to obtain from the Legislature charters for banks in London, Hamilton, St. Catharines and Cobourg. Bills were also introduced to increase the capital of the two banks already established.

In their report on these projects the select committee on banking, following the suggestions of the last report of the bank commissioners of the State of New York, considered it better to increase the capital of the two banks already chartered than to create new banks. With special reference to increasing the capital of the Bank of Upper Canada, they thought that a bank with a large capital would be able, like the Bank of the United States, to establish branches in all parts of the province, and thus regulate the issues of any smaller banks and the internal exchange of the country. It could also manage properly the foreign exchanges and import from abroad such specie as might be necessary, while, at the same time, it would be able to give more extended loans to those dealing in agricultural products where returns were slow. To accomplish this, the capital of the bank should be increased to at least £500,000.

In the opinion of the committee, the unusual demand for new banks, following the example of the neighbouring States, proved the need for more capital. But paper money was not capital; hence specie must be obtained. This could be accomplished by increasing the capital of the existing banks, while restricting their note issues to denominations of one pound and over. Much of the additional capital would then come into the country as specie, to replace the small notes. The committee was also in favour of a special metallic currency, but of increased nominal value to prevent it from leaving the country. In this recommendation there is the usual confusion of the period between two distinct needs. The first is the need for a fractional metallic currency to supply the pocket change of retail trade, and the other is the need for a concrete standard of value, as a medium for the redemption of bank notes and the balancing of exchanges. Only the first want could be supplied by the proposed measure, and that only in a permanent way if the second was also supplied. Yet this report reflected the wishes and ideas of the chartered banks and their friends.

Throughout America, at this time, we find all the symptoms of a rising speculative fever. The demand for accommodation at the banks was steadily pressing upon their limited means. So long as apparently adequate security was offered for the discounts sought, it seemed reasonable that the needed money should be forthcoming. Much of the security was indeed adequate under ordinary circumstances. Yet the fact remained that the investments being made were of a highly speculative character, hence the paper currency was at once inadequate and inflated. It is not the quantity of money in circulation, but the use to which it is put, which determines the question as to security or inflation. In no case is it to be expected that the greater part of the possible security of a country should be pledged for the raising of loans. Yet this aspect of the situation was steadily ignored by all but a few under the insatiable fever which was sweeping North America, and which, having devoured the natural prosperity from which it started, was now feeding upon itself. Canada was already responding to the infecting influences of the neighbouring states, and the cry for more money was fostering numerous devices for supplying it, invariably, however, in the shape of paper.

One effect of the more rapid movement of trade, and the increasing demand for banking accommodation, was the curtailing of the period over which discounts had been extended. Owing to the long credits which were usual between the merchants and their customers, it had been the practice of the Canadian banks in discounting, to require only one-fifth of the amount to be repaid at the end of three months, a renewal being granted for the remainder. The period for the complete repayment of a loan was thus extended over fifteen months. However, after the establishment of the Commercial Bank, and the development of more speculative and rapid methods, the banks began to insist upon the payment of at least one-third, and sometimes one-half of the original loan, at the end of three months. The export trades in lumber and grain, the two staples of the country, owing to the necessarily long periods for obtaining returns, required extended accommodation, thus locking up a considerable quantity of banking capital. To meet these heavy charges, high profits were necessary, and the returns to the producers were correspondingly low.

Though the committee on banking had reported in favour of extending the capital of the existing banks rather than the establishing of new ones, yet the prevailing opinion of the merchants and people generally, was in favour of at least one chartered bank in each District of the Province. The result was that the Assembly, in 1834, passed bills to charter two new banks, one at Hamilton and the other at Cobourg, but the Council rejected them, and in return, the Assembly refused to pass the bills enlarging the capital of the two chartered banks.

Those interested in starting a bank at Cobourg, having regard to the wishes of the Home Government, in their public resolution of November, 1833, decided to petition for a charter in which the stockholders should be liable for double the amount of their stock. Thus the Home Government was gaining in a roundabout manner what it could not directly force upon the country.

An effort was also made, in 1834, to regulate the agencies of foreign banks in the Province. This was chiefly aimed at the banks of Lower Canada, whose notes enjoyed considerable currency in the upper Province yet were not under the control of its

Legislature. The real purpose of the measure seems to have been to preserve to the local banks a monopoly of the issue of small notes which usually remained in circulation, and to secure through the larger notes, which commonly passed into the hands of the banks, a command on the specie of the outside banks, especially the Bank of Montreal, without going beyond the commercial centres of the Province. Hence the bill required that the outside banks should redeem their notes in Upper Canada, either at York or Kingston, and limit their issues in the Province to notes of twenty shillings and upwards.

It was pointed out that in Lower Canada foreign banks were prohibited from circulating notes under twenty-five shillings. The strongest argument against the bill was that it would tend to prevent the introduction of new capital, and this was quite sufficient to defeat it.

In the meantime, the Bank of Upper Canada, having made strong representations to the Home Government through its president backed by the Lieut.-Governor, managed to wrest from the Bank of Montreal, in 1833, the patronage of the British Treasury in the upper Province. In consequence, the Bank of Montreal determined to withdraw its agency from Kingston, its ordinary business being taken over by the Commercial Bank.

In 1834 the Bank of Upper Canada had branches at Niagara, Hamilton, Cobourg, Kingston and Brockville, and was doing a large and profitable business. In its operations the bank did not allow any interest on deposits, even to the Government, though it frequently held a large amount of public money. In local exchange no charge was made for transferring money to the head office when paid in at any of the branches. But for drafts on the head office, or on any of the branches or agencies, a charge of one-eighth to one-quarter per cent. was made. Foreign exchange was sold at the same rate throughout the system. Exchange on New York was sold at a profit to the bank of from one-half to one per cent. On Montreal it ranged from nothing to one-quarter per cent., and on London it was as a rule one and one-half per cent.

In 1835 the Hon. Wm. Allan resigned the position of president of the bank, and was succeeded by the Hon. Mr. Proudfoot. Mr. Cawthra, a wealthy merchant of York, joined the directorate at the same time. Opposition to the Bank of Upper Canada on account of its political connection was still very strong. An effort was once more made, in 1835, and renewed in 1836, to sever the connection between the bank and the Government, by having the provincial shares sold; but the investment was too profitable to make it a fair subject for attack, and not till the economic and political crises were past, was an act for this purpose finally carried.

In 1835 another attempt was made to have the capital stock of the bank increased, but the Assembly resolved briefly that it was inexpedient. Yet at the same session, acts were passed to increase the capital of the Commercial Bank, and to establish the Gore Bank at Hamilton.

The following session, 1836, an attempt was made to draw out the opponents of the bank, and test the feeling of the country, by requesting the committee on banking to consider what objection there might be to increasing the capital of the Bank of Upper Canada to £500,000, on certain terms. Among the conditions suggested were the following. The subscribers to the new stock were to pay to the Government a tax of ten per cent. upon the amount of stock subscribed, and a further annual tax of the same amount was to be levied upon the whole capital stock of the bank, in consideration of the public moneys of the Province being deposited with the bank. This suggestion evidently came from current American ideas of the period and the experience of the Bank of the United States. Again, as a sop to the men of small means, it was suggested that while those who subscribed for ten shares or under should not be required to pay immediately more than ten per cent. on each share, those subscribing for larger amounts should pay in full. Further, following a new law of New York State, to satisfy those who were anxious to have an increased circulation of specie, it was suggested that after one year the bank should cease to issue notes for less than four dollars each. For the convenience of internal exchange, the bank agencies and the district branches were to redeem the notes of the bank by draft upon the head office at par and sight. The bank should also pay out the public moneys for the Government, in any part of the Province, free of charge. Apparently to offset the demand for a Provincial Bank, then being agitated, it was proposed that the Provincial stock might be increased to £100,000. Though these were merely tentative proposals, yet the fact of their being made showed that the bank was willing to make considerable concessions to the popular feeling to save itself from such a possible fate as that which had just overtaken the Bank of the United States. However, so strong was the feeling against the bank, that the Assembly refused, by a majority of twenty-four to eleven, to even submit these proposals to the banking committee.

Though the Commercial Bank was naturally opposed by those who were hostile to the whole system of chartered banks, yet it was not so closely identified with the Compact, and was therefore not subject to bitter political opposition. When the bank applied in 1835 to have its capital stock increased, petitions were presented in its favour from every important District in the Province. McKenzie and his supporters, though unable to prevent the bill from passing, endeavoured to have the Board of Trade conditions incorporated in the charter. That failing, he sought to fasten upon the capital of the bank an annual tax of a penny on the pound, but did not succeed.

The act, as passed, increased the authorized capital to £200,000, making it equal to that of the Bank of Upper Canada. A couple of harmless clauses, with reference to discounts in which directors were interested and the sources of dividends, were added. So great was the faith in banks as sources of wealth, and so difficult the obtaining of a charter owing to the jealousies of political factions, that, when the books for subscription to the new stock were opened, the amount subscribed on the first day reached £1,937,125.

In March, 1836, a branch of the Commercial Bank was opened in Brockville with a local board of directors.

During the same month the parent bank in Kingston found itself compelled to suspend discounting owing to circumstances familiar enough in many parts of the United States and soon to become so in Canada. The Canadian banks, as their cashiers had repeatedly pointed out, depended almost entirely upon American commercial centres for their supplies of specie. As a means of obtaining specie and balancing exchanges, American bank notes, as well as American bills, were usually in demand.

Taking advantage of this fact, some Americans from the adjoining section of New York State, being in need of specie, collected Commercial Bank notes on both sides of the border to the extent of some thousands of pounds. They then presented the notes for redemption at the bank in Kingston, which so alarmed the management that discounting was entirely suspended for a short time. The Canadian papers with characteristic loyalty denounced the incident as a "foul transaction," and sarcastically referred to the scheme as "the laudable and praiseworthy idea of plundering a neighbouring province." The idea that banks should be prepared to meet their notes in specie on demand, while admitted in theory, was hardly regarded as coming within the scope of legitimate practical banking. Specie, if wanted, was supposed to be paid for at special rates. Those who asked for cash in any quantity in return for notes, were looked upon with suspicion, and were apt to be regarded by the banks as infidel enemies of the public welfare.

During the session of 1835, the Gore Bank of Hamilton, of which Mr. A. McNab was the moving spirit, managed to obtain a charter. During the previous session a bill to establish this bank passed the Assembly but was rejected by the Council. This rather stirred Mr. McNab's highland blood, and, as he had been associated with the Bank of Upper Canada and the members of the Compact, he began to expose the methods and the motives of the Council in such matters, much to the delight of the enemies of the Compact and the edification of the public in general. However, the breach was soon repaired, and the following session the Gore Bank bill, passing the Council, became law. It was announced, in September, 1835, that the stock books of the new bank would be open at the head office and the various branches and agencies of the Bank of Upper Canada.

The authorized capital of the bank was fixed at £100,000, and the bank might begin business when £10,000 had been paid in. The general conditions and regulations were practically the same as those contained in the charter of the Commercial Bank, with the addition of a couple of features which appear for the first time in a Canadian bank charter. The most important was the introduction of the double liability of the stockholders, which was regarded as so ruinous a feature when proposed by the Home

Government. It was also provided that no incorporated company should hold stock in the bank, unless conveyed to the company in payment of debts previously contracted. This feature was afterwards repealed in 1839.

Early in 1836 the Gore Bank went into operation, and shared in the inflated prosperity of the country previous to the crisis of the following year. Under the influence of the growing time the bank was hardly started before it applied for another act authorizing an increase in its capital stock. A bill for this purpose passed the Assembly, but got no further. The following session, 1836-7, just on the eve of the crisis, in common with the two other chartered banks, a bill to increase its capital passed both houses, but was reserved by the Governor, under instructions from the Home Government.

We have seen that attempts had been made to obtain charters for new banks in London and Cobourg. But though these were denied, additional claimants pressed every year. During the session of 1836 several new bank charters passed the Assembly, but were either rejected by the Council, or so amended that they were dropped by the Assembly. However, during the session of 1836-7, bills passed both houses for establishing banks in Brockville, Cobourg, St. Catharines, Prescott, London, Prince Edward District, and the Western District. Also to charter the Erie and Ontario Bank, the Freeholders Bank, and to increase the capital of the three chartered banks. But the Lieut.-Governor had received instructions from the Colonial Office to reserve any further bills dealing with currency or banking. Consequently these bills were all reserved, which led to further remonstrance on the part of the Legislature. They admitted the expediency of the Home Government regulating the metallic currency of the colonies, but strongly objected to its interference with banking. They urged the withdrawal of the instructions to the Governor, praying that in future the Home Government might not prevent the Governor from assenting to bills of a purely local nature, at his own discretion. Before the effect of this second claim to independence in the matter of banks, could be ascertained, the American bubble had burst, and no one thought of new bank charters for a time.

Various other banking projects were brought before the Legislature during this period, the most important of which was that for the establishment of a Provincial Bank. This bank was intended to combine the best features of those two semi-state institutions, the Bank of the United States, and the Bank of Upper Canada. But, by enlisting a larger popular interest, it was hoped it might avoid the narrower political affinities which had excited so much hostility to those institutions.

The most active promoter of this scheme was Mr. W. H. Merritt of St. Catharines, intimately connected with the Welland Canal and a member of the Assembly.

In 1835, Mr. Merritt brought the project before the Assembly and secured the appointment of a friendly select committee to examine and report upon the expediency of establishing a Provincial Bank. The committee found, on obtaining the views of the leading banking and business men of the Province, that there was a great variety of opinions as to how best to increase the circulation of the country, by which most of them meant the amount of loanable capital. Some recommended increasing the capital of the Upper Canada and Commercial banks, putting a check upon all private banking, and refusing additional charters. Others, going to the opposite extreme, would leave banking to be a matter of individual enterprise, untrammeled by any other regulations than those applying to ordinary business. Others supported strongly the proposed Provincial Bank. There were also various modifications and combinations of these three phases.

The committee found the chief objection to the Provincial Bank to be the fear of its becoming a political engine. They venture the opinion, however, that there would have been less criticism of the Bank of the United States and the Bank of Upper Canada if the Government, in each case, had held the majority, instead of the minority of the stock.

After considering the matter from all sides, the committee outlined a plan, combining foreign capital guaranteed by the Government, private capital in subscribed shares, and Provincial credit. The central bank should start with a capital of £500,000, made up of £350,000 to be raised in Britain by loan on the security of the Province, £25,000 contributed by the Province itself, and £125,000 of private capital. Branches were to be provided for in each District, with a capital of £100,000 each, £75,000 of which were to be furnished by debentures of the bank, bearing six per cent. interest, and the remainder to be contributed by private subscriptions from the District.

The issues of the bank were to be limited to three times the paid-up capital. Its notes were to be received for all public dues, and it was to have the custody of all public funds. It was to conduct its business on the Scotch system, allowing three per cent. on deposits, and granting cash credits, or open accounts, on security given. It was not to charge a higher interest for loans or discounts than at the rate of six per cent. per annum. It was expected to pay five per cent. on the capital borrowed in Britain, six per cent. on that borrowed in Canada, allow reasonable dividends to the stockholders, and, out of the surplus profits, pay off the Provincial debt in a few years, and provide a revenue for public purposes for all future time. Such was the faith of the day in bank profits. A bill embodying these features was submitted to the Assembly, but as it involved the combination of public credit with private interest, there prevailed a reasonable fear that it might only exaggerate the evils already complained of in the case of the Bank of Upper Canada and the Bank of the United States, hence the bill was defeated. In the following session it was revived by the committee on banking, but received the six months' promotion, though by a majority of only one.

The idea, however, that the Government was in some way directly responsible for the prosperity of the country and had unlimited capacity to promote it, was as prevalent then as at present. There was a widely spread conviction, especially in the counties, that the Province could supply, on its own credit, an indefinite amount of paper money, with all the vitalizing power of real capital, without any further basis of security than those marvelous undeveloped natural resources which have been the pride and comfort of the people of Canada for a century past.

During the session of 1835 these floating ideas took definite shape. Petitions were presented from several Districts in the Province praying for the establishment of Provincial loan offices, or loan banks. The petition from the Home District, of which York was the centre, is a fair representative. It referred to the great distress throughout the country owing to the depressed value of agricultural products, and the fact that the farmers were heavily in debt and liable to be sold out at any time. There is but one remedy, it is said, and that is a Provincial paper currency, which may be called Provincial loan notes. These could be issued to at least twice the amount of the Provincial debt. There should be an agency in every county, and the notes should be distributed on mortgage security according to population. Loans should be made to the extent of half the value of the lands, and repaid in annual instalments extending over fifteen years.

Under the magic spell of this paper money untrammeled by specie, the numerous advocates of the scheme throughout the Province saw foreign markets opening before them, the prices of their products rising, and such fountains of wealth opened as should overflow the land, enriching the farmers and enabling the Government to pay off its heavy debt, and have an ample surplus for roads, schools, poorhouses, asylums, penetentiaries and other evidences of a prosperous, healthy and law-abiding people. The scheme was vigorously supported in the Assembly, yet the pessimistic element prevailed, and the friends of free paper were left to marvel at the blindness and selfishness of their fellow men.

We have next to glance at the attempts to introduce into Canada the British system of joint-stock banks.

It was first announced, early in the year 1834, that a couple of English gentlemen of capital had arrived in Upper Canada with a view to establishing a bank in York on the joint-stock principle, the partners being liable for all the obligations of the bank as in other business enterprises. These gentlemen were Capt. Geo. Truscott, of the Royal Navy, who had apparently been interested in joint-stock banking in England, and John Cleveland Green, a retired commissary-general.

The bank was organized and opened by Truscott, Green & Co., in May, 1834, under the title of "The Agricultural Bank, City of Toronto." The bank seems to have enjoyed a fairly good business, for within ten months it had discounted paper to the amount of £32,500, had notes in circulation for £28,500, and deposits to the extent of £11,697. They seem to have adopted the Scotch system of granting cash credits, which, on security given, permitted the customer to draw at his convenience up to a certain amount. This obviated the necessity of providing special security for every sum obtained, or having to pay interest on the full amount discounted before it was really needed. In Britain landed security was taken as a basis for these general credits, and to a certain extent this method was followed by the new bank in Canada, though Truscott admitted that it was not so safe here owing to the instability of land values.

In its operations the Agricultural Bank received and held the notes of the chartered banks, and particularly those of the Bank of Upper Canada, as a reserve fund, employing them in much the same manner as the banks now use Dominion notes, or as Bank of England notes were used in Britain. This the Bank of Upper Canada seemed to regard at first as rather complimentary. Then it was discovered that when the Agricultural Bank wanted specie, it drew it from the vaults of the Bank of Upper Canada by presenting the accumulated notes. According to the Canadian banking ethics of the time, such methods were deemed dishonourable, and war was declared upon the new institution. Its credit was cried down, its methods condemned, and its notes scornfully refused by the chartered banks. One of the grievances against the new bank was that it allowed interest on deposits, a lead which the Commercial Bank felt itself compelled to follow in July, 1834. The refusal of its notes did not trouble the Agricultural Bank, for that only aided in keeping them in circulation. But to vindicate its credit it was forced to appeal to the Assembly to investigate its affairs. A committee of the Assembly reported its credit good, and referred to the fact that in Britain there were many similar institutions.

The new bank being vindicated, the Bank of Upper Canada found it necessary to change its tactics. It now not only eagerly accepted Agricultural Bank notes whenever tendered, but even furnished certain parties with funds to buy up the notes with a view to returning them upon the bank and paralyzing its operations. By these means $145,000 in notes were returned upon the bank within three months, yet it managed to protect itself, and the war went gaily forward to the benefit of some, and the annoyance of others in the business world.

McKenzie of course took the side of the Agricultural Bank during this conflict, but, in the course of the summer of 1835, falling out with Capt. Truscott over another banking venture, he produced a three days' run upon the Agricultural Bank by one of his fiery newspaper attacks. However, the bank weathered the storm and shared in the general inflation before the crisis of 1837.

Another joint stock bank, in which for a time Capt. Truscott was interested, was the Farmers' Bank. This institution had been outlined before the Agricultural Bank was started, by a number of Canadians, chiefly of the popular party, who advocated the system of joint-stock banking, though none of them seems to have been familiar with the practical working of such an institution. When, however, Capt. Truscott had proved his experience and ability in this line, he seems to have been appealed to, in connection with the establishing of the proposed bank. The Hon. John Elmsley was also prominently connected with it.

The prospectus of the bank was published early in May, 1835. It was to be known as the Farmers' Banking Company, with the ambitious capital of £500,000, in £10 shares. A board of twelve directors was to be elected by the shareholders as soon as 25,000 shares should have been subscribed for or £30,000 paid in. In order to enlist the general interest of the province a provisional committee was appointed, to consist of the members of the Assembly, the postmasters and the District officials, to receive and report upon applications for stock. The response through these honorary channels not being very hearty, Capt. Kingsmill, of Port Hope, and Mr. J. V. Boswell, of Cobourg, undertook to canvass some of the chief towns of the Province. Notwithstanding the fact that there was great faith in the profits of banking and a great demand for the shares of the chartered banks, yet people were a little timid about taking stock in a concern for whose obligation each shareholder was indefinitely liable. Besides, the opponents of the bank were strenuously warning the public against it. It had even acquired the reputation of being a strongly partisan affair, owing to the support which it received from McKenzie and other prominent radicals. But when McKenzie and O'Grady, falling out with Truscott and others, withdrew from the enterprise and denounced its promoters, the institution seemed to recover credit somewhat, and, though it failed of its ambitious hopes, yet a number of more stable partners having joined, its establishment was insured.

On September 1st, 1835, a meeting of the directors took place at which the officers of the bank were appointed. Mr. H. Dupuy, formerly the first manager of the Kingston branch of the Bank of Montreal, was appointed manager. It was expected that the bank would open within the month and on good terms with the other banks. However, within a few weeks, Capt. Truscott and one or two others had severed their connection with the bank, owing to some friction among the promoters of the enterprise. Still before the middle of October the bank was in operation, and its notes were added to the rapidly increasing variety of Canadian paper currency.

Another joint-stock bank, though it also applied for a charter, was known as the People's Bank. After parting company with Truscott and the other promoters of the Farmers' Bank, McKenzie and his associates sought to establish a more or less partisan institution, which was to be called the People's Bank, apparently in imitation of the Banque du Peuple, lately established by the popular party in Lower Canada.

In August, 1835, McKenzie thus introduced the new bank to the public, through his newspaper the *Advocate:* "I long ago wanted the reformers to quit Truscott and privately urged them to join among themselves and form a bank upon fair and honorable principles. They are now prepared to do so—their means are ample as their utmost wishes—and the bank will be speedily established on a broad and substantial basis, which will place in the pockets of the people themselves the £50,000 a year of taxes they are now paying to the Aylmers, Strachans, Jonas Joneses, Truscotts, Jarvises, Hagermen, Sherwoods, Boultons, Clarkes, Crookses, Robinsons, McLeans—the mushroom aristocracy of this fair but ill-governed colony." However, there were more stable supporters than McKenzie behind the institution, and in the course of a year it gradually took shape until, on November 2nd, 1835, the first annual meeting of the stockholders took place in Toronto, when the following directors were elected: John Rolph, Jas. Leslie, D. Gibson, Jas. Beatty, John Montgomery, Thos. Elliot, Hon. M. S. Bidwell, T. D. Morrison, Geo. Barclay, John Harper, John Doel, Jas. H. Price. Two days later the board met and elected John Rolph president, Jas. Leslie cashier, and Messrs. Bidwell and Price solicitors.

During the following session of the Legislature the bank applied for a charter. The application was favourably reported upon by the committee on banking, and a bill to incorporate the bank was duly passed by the Assembly, but was very naturally thrown out by the Council.

The Council was, indeed, alarmed at the rapid increase of banking institutions, and passed a series of resolutions on the subject, which were sent to the Assembly for concurrence. In essence these resolutions urged the need for maintaining the credit of the country, while acknowledging also the need for an increase of capital. It is pointed out that the Legislature began with the establishment of a single provincial bank, the Bank of Upper Canada, but had since gradually departed from that safe position, and is now on the downward grade towards a condition of absolutely free banking on the basis of ordinary business enterprises.

They urge the necessity of earnestly considering the situation to determine upon some definite course to be followed in connection with this important matter, because with every departure it is increasingly difficult to get back to a prudent course.

A bill was afterwards sent down from the Council to protect the public against injury from private banks, but the Assembly took no definite action on it.

The following session the Assembly passed a measure of its own, to afford protection to the public as well as to facilitate the business of joint stock banking companies, but it failed to pass the Council. The Council, however, managed to adapt its bill to the majority of the Assembly, and it was passed in March, 1837, just on the eve of the crisis. Its object was to check the issue of notes by private or joint-stock banks. It therefore declared illegal the issue of notes or other paper intended to pass as money, except by legislative authority. The joint-stock banks then in existence were exempted from the provisions of the Act.

The banks so exempted were, the Bank of British North America, which had not yet gone into operation in the Province, the Farmers' Bank, the Agricultural Bank, the Bank of the People, and the Niagara Suspension Bridge Bank, so far as the latter and its affairs came under the jurisdiction of the Provincial law.

Many other schemes for promoting the general prosperity, through the expansion or regulation of the currency, were in the air at this period, both within and without the Legislature, but most of them had little or no significance beyond indicating the unstable condition of the period.

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MINING IN BRITISH COLUMBIA

IT is not practicable to adequately deal with mining in British Columbia within the limits of one comparatively short article, so the following review must necessarily fail, in some respects, to do full justice to so important an industry, presenting as it does many aspects and extending over a long period in its development. There is much included in the earlier records of the industry that is very interesting, but since the present intention is to give prominence to its later commercial and industrial phases, most attention will be given to the progress of the last ten years.

The following brief account of earlier mining in the Province is summarized from articles which appeared in the British Columbia *Mining Record* five years ago, together with extracts from reports of the late Dr. G. M. Dawson, for years Director of the Canadian Geological Survey: The celebrated David Douglas, the botanist, in the early twenties discovered the Blue Bell mine (silver-lead) on Kootenay Lake. Coal was discovered at Fort Rupert in 1835 and some development was done by the Hudson's Bay Company, but these workings were abandoned in 1851 for those at Nanaimo, also on Vancouver Island, where coal mining has ever since been carried on. The early discoveries of gold in small quantities range between the years 1850 and 1857. In 1850 specimens came from Vancouver Island and Queen Charlotte Islands. An incipient mining boom took place on the latter in 1851-2. Dr. Dawson says that from one little seam or pocket of gold at Gold Harbour, Moresby Island, between $20,000 and $75,000 were reported to have been taken. It is stated by others that more was lost in the harbour in the operation of mining than was recovered. However, much or little, the find ended there. About the same time Indians from the Skeena River brought pieces of gold to the Hudson's Ba

Company's fort, but several expeditions to find its source met with failure. In the interior gold was found in the Natchez Pass and the Similkameen as early as 1852 and in 1854 Colville Indians were known to have had nuggets in their possession. Bancroft, in his "History of British Columbia," states that Chief Trader McLean procured gold dust from Indians near Kamloops in 1852. Various authorities place the first finds at various places. However, between 1855 and 1857 discoveries were made on the Thompson, Fraser and Columbia Rivers, and the news of these, together with the despatches of Governor Douglas, soon attracted attention to British Columbia as a possible gold field.

It is an old story now of how people rushed from San Francisco to Victoria by thousands and set up their tents; of how they rushed up the Fraser River, many crossing the Gulf of Georgia in open boats; how they crossed the Isthmus of Panama, or rounded Cape Horn, or plodded wearily overland from Eastern Canada. Victoria became a city in a day, and the Mainland solitude was converted into a Crown colony in a year. Up to 1858 nothing but preliminary work had been done, consequently little was known of the mineral resources of the Province. In that year, however, gold mining really began, and from that period dates the history of mining in British Columbia. The increase in the production of gold was rapid, and from $705,000, which is a rough estimate of the output in 1858, it rose in 1863 to $3,913,563. In 1861, after laborious journeyings of daring prospectors, Williams and Lightning Creeks, two of the most noted gold producers in British Columbia, were discovered, and in this and the following year most of the other rich creeks in Cariboo became known. Then began that second rush, which is the most notable event in the history of British Columbia, and one that has had the most lasting effects in determining its future. The finds were very rich, and the lucky prospectors who became owners of claims amassed large sums of money in a very short time. Dr. Dawson wrote of these creeks: Williams Creek has yielded more gold than any other stream in British Columbia. As examples of its yield in early years, Steele's claim gave a maximum yield of 409 ounces, or $6,524 a day. More than

$100,000 in all was taken from this claim of 80x25 feet. In 1862 Cunningham's claim produced gold to the value of nearly $2,000 a day for the season, while on several days as much as 52lbs. weight of gold was taken out. The Adams' claim yielded to each of its three partners $40,000 clear. These claims were above "the canyon" in shallow ground. The deep ground below "the canyon" was first bottomed towards the end of 1861 by the Barker Company (whence the name of the town, Barkerville). The Diller Company was the next successful in this, and it is credibly stated that here, on one occasion, 200lbs. of gold, worth $38,400, were obtained in one day, In 1863 three claims below "the canyon" yielded $300,000. and twenty claims were steadily producing from 70 to 400 ounces a day. Four hundred miners were at work on Williams Creek in this year—"the Golden Year." The aggregate of Williams Creek for the first seven years of working, for which no returns are available, was very large. In 1861 $200,000 worth of gold was taken from Campbell's Discovery claim and the adjacent Whitehall claim, both on Lightning Creek. Attempts were made almost from the first to reach the deep channel of this creek, but, after much work, were abandoned in 1864. Sinking was, however, resumed in 1870, and, having proved successful, led to the subsequent great developments. The rich character of some of the ground on this creek may be illustrated by stating that at one time the Butcher claim yielded 350 ounces a day, the Aurora 300 to 600 ounces, and the Caledonia 300 ounces.

Space limitations prevent the hardy prospectors being followed northwards into the Omineca country in 1869; into the rich Cassiar district, which in 1872 and later yielded gold to the value of $5,000,000 or $6,000,000, or into the Yukon, where gold was found in paying quantities in 1880. It may be noted, though, that the total yield of placer gold, which in 1863 reached its maximum amount of $3,913,563, after fluctuating during several years, fell in 1869 to $1,774,987, and though 1875 saw a temporary substantial recovery, to $2,474,000, the decline continued steadily until, in 1882, the total was below the $1,000,000 mark, and thereafter the total production fell until the minimum was reached in 1893, the total for that year having been only $356,131. Since then there has been a gradual increase, so that the showing for 1899 of $1,344,900 was the best since 1877.

It will be observed that the foregoing summary deals almost exclusively with placer gold mining. From the published annual reports of the Provincial Department of Mines it is learned that the total value of coal mined in British Columbia up to 1860 was $149,548, and that in that year the production was $56,988. In 1884 the total was $1,182,210, and, although there have been fluctuations, the movement since, has, on the whole, been upward, the maximum having been attained in 1900, with a total value of $4,318,785.

Coke has been added to the mineral products of the Province during the last five or six years, commencing with $7,825 for 1895-6, and increasing to $425,745 for 1900.

Geological Survey statistics show that lode mining of metallic minerals in the Province commenced in 1887, in which year silver and lead were produced to a combined value of $26,547, and in 1888 of $104,813. For some unexplained reason the only lode product for 1891 was silver $4,000. In 1893 lode gold appeared in the records for the first time, with a value of $23,404, and the following year copper made its first appearance, adding $16,234. In 1894 the total value of silver, lead and copper produced was $656,328, whilst in 1900 it was $6,616,376, this being a tenfold increase. It is interesting to here note that gold, which in 1894 was only $530,531 (placer, $405,516; lode, $125,015) increased in 1900 to $4,732 105, (placer, $1,278,724 ; lode, $3,453,381) and copper from $16,234 in 1894 to $1,615,289 in 1900. The following tables are taken from the "Annual Report of the Minister of Mines" for 1899, with the figures for 1900 added :

TABLE I.

Total production for all years up to and including 1900.

Gold (placer)	$62,584,443
Gold (lode)	12,812,860
Silver	13,649,809
Copper	4,362,583
Lead	7,619,956
Coal and Coke	49,140,917
Other Minerals	1,984,640
Total	$152,155,208

TABLE 2

Production for each year from 1891 to 1900 (inclusive).

YEAR	AMOUNT
1891	$ 3,521,102
1892	2,978,530
1893	3,588,413
1894	4,225,717
1895	5,643,042
1896	7,507,956
1897	10,455,268
1898	10,906,861
1899	12,393,131
1900	16,344,751

Another table is added below for the purpose of showing the very important position the part of the Dominion lying west of the Rocky Mountains occupies in regard to Canada's total production in 1900 as compared with that situate east of the Rockies. It will be seen that the total value of metallic minerals, coal and coke produced in British Columbia and the Yukon is $38,369,751 as against $15,339,061 for the remainder of the Dominion.

	BRITISH COLUMBIA.	YUKON DISTRICT.	ALL OTHER PROVINCES.	TOTAL FOR DOMINION.
Gold	$ 4,732,105	$22,275,000	$ 909,647	$27,916,752
Silver	2,309,200	......	421,398	2,730,598
Copper	1,615,289	......	1,441,830	3,063,119
Lead	1,740	......	68,634	2,760,521
Iron		......	581,418	583,158
Nickel		......	3,327,707	3,327,707
Zinc		......	9,342	9,342
Coal	4,318,785	......	8,349,690	12,668,475
Coke	425,745	......	223,395	649,140
Total*	$16,094,751	$22,275,000	$15,339,061	$53,708,812

As the output of coal in British Columbia is rapidly increasing, and attention is now being directed to its iron deposits, it appears as though it will not be long before the mineral production of the Province will be greater, not only in the total, as at present, but as well in all the individual minerals (excepting nickel and platinum), than that of the remainder of the Dominion east of the Rocky Mountains.

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* NOTE.—It will be observed that there is a difference of $250,000 between the total production of British Columbia as shown above and that given in the preceding table. This is the value of "other materials" included in the total for 1900, as shown in Table 2.

From the exhaustive and valuable Annual Report issued by the Provincial Department of Mines, already referred to, it is gathered that placer gold is produced chiefly in Cariboo, Cassiar (including Atlin), East Kootenay, Lillooet, and Yale Districts ; lode gold in West Kootenay, Lillooet, Yale (Camp McKinney), and the Coast Districts ; silver in East Kootenay, West Kootenay (Ainsworth, Nelson, Slocan and Rossland), and the Coast ; copper in West Kootenay (Nelson and Rossland), and the Coast ; lead in East Kootenay and West Kootenay (Nelson and Slocan), and coal at East Kootenay (Crow's Nest Pass) and Vancouver Island. One of the features of the year 1900 was the material increase in the production of copper and gold from the mines at Rossland. The current year bids fair to see a still larger increase there, whilst the Boundary District will also add considerably to the output of these metals, and Mount Sicker and Alberni Canal mines, on Vancouver Island, give promise of also contributing an appreciable quantity. East Kootenay is showing a very heavy increase in lead (it is estimated that one mine alone produced 18,000,000 lbs. during 1900) and to some extent in silver, whilst the Slocan is regaining the ground it lost—as a result of labour troubles—during 1898-9 as a producer of silver and lead. New coal fields are to be opened up shortly in the Crow's Nest Pass, Nicola Valley, and near Fairview in the lower Okanagan. An endeavour will be made to work the iron deposits near Kamloops, those on Texada Island, and others on the west coast of Vancouver Island. The production of placer and hydraulic gold in the Cariboo is increasing considerably, whilst Atlin, Bennett, and Chilcat Districts are full of promise of a greatly enlarged yield. Gold from milling quartz will have additions from the Nelson District and, to a smaller extent, from Camp McKinney.

There are numerous extensively developed and equipped mines in the Province, a few of them being the Consolidated Cariboo Hydraulic Company's mine at Quesnel Forks, Cariboo, where a total expenditure of $549,292 for ditches, flumes, dams, piping, etc., has been incurred ; Le Roi, Centre Star and War Eagle, at Rossland ; Athabasca, Silver King, Yellowstone and Ymir, near Nelson ; B.C., Mother Lode and Old Ironsides group, near Greenwood; Cariboo, at Camp McKinney; Van Anda, on Texada Island; the Crow's Nest Pass coal mines, near Fernie, and the big coal mines of Vancouver Island.

Steam power is used at most of the mines, but some are using water power or electricity. Besides the three great rivers of the Province—the Fraser, Columbia and Kootenay—there are many streams, generally mountain torrents, each giving a tremendous head and furnishing ample motive power for individual properties. In the Slocan especially these are utilized for concentrators and other machinery. Electric power has not hitherto given such generally good results in Rossland mines as could have been desired, but it may be that the appliances in use there were not altogether suitable. Notwithstanding this the power plant at Bonnington Falls, Kootenay River, has lately been increased to a total capacity of about 4,000 horse power, with a further large extension in prospect. The Kettle River Power Company intends to develop the 6,000 horse power derivable from the Kettle River at Cascade, Boundary District, and plant to develop the first unit of 2,000 horse power is to be installed shortly, about $100,000 having already been spent in preliminary work. The Granby Consolidated Mining & Smelting Company has a power plant on the North Fork of Kettle River, giving 835 horse power and an increase by 300 horse power is being made.

The mines near the Coast generally have the advantage of water transportation and many in the Kootenay and Boundary country are tapped by railways. Other districts are seriously handicapped by the absence of facilities for cheap transportation, but since each succeeding year sees the construction of new roads and railway lines, this obstacle to more rapid progress is being in part removed.

More reduction works are being established as the demand for them increases. Smelters have been erected at Pilot Bay, Nelson and Trail, in the Kootenay; at Grand Forks, Greenwood and Boundary Falls, in the Boundary, and at Van Anda, Texada Island. The smelter at Northport, Washington, is within twenty miles of Rossland, and other smelters in the United States also treat ores from British Columbia. The biggest stamp mill in the Province is at the Ymir mine, where a battery of eighty stamps is in operation. There are other stamp mills, concentrators, etc., but it is evident that an enormous quantity of plant and machinery will be required to meet the rapidly growing requirements of ore production and treatment.

Much outside capital has already been employed in connection with the mining industry of the Province, but much more is needed for the more extensive development of its enormous mineral resources. Eastern Canadian money has been put into mining and smelting enterprises at Rossland, in the Boundary and elsewhere. United States capital has done much towards developing mines at Rossland and in the Slocan, and the British Columbia Copper Company, Limited, of New York, has spent more than $600,000 on its Mother Lode mine and smelter, near Greenwood, with good returns now coming in. A comparatively large amount of British capital has also found its way into British Columbia mining enterprises, but all these combined will very probably fall far short of the aggregate that two or three years hence will be similarly employed in the Province, so big will be the future of this important industry.

The following are some of the British Columbia mines whose total dividends to date have each exceeded $100,000. More have paid totals, ranging from $10,000 to $50,000, but the list given, though incomplete, will serve to show that an appreciably large aggregate amount has been returned by the mines over and above the still larger total of earnings that has been expended in development and equipment. The figures are taken from the New York *Engineering and Mining Journal* and the British Columbia *Mining Record:*

Payne, Slocan	$1,438,000
Le Roi, Rossland	1,305,000
War Eagle, Rossland	545,250
Cariboo, Camp McKinney	487,087
Slocan Star, Slocan	425,000
Idaho, Slocan	292,000
Reco, Slocan	287,500
Hall Mines, Nelson	220,000
Whitewater, Slocan	209,500
North Star, East Kootenay	195,000
Centre Star, Rossland	175,000
Ruth, Slocan	165,000
Ymir, Nelson	144,000
Rambler-Cariboo, Slocan	105,000
St. Eugene, East Kootenay	105,000

A few words in conclusion as to the attitude of the Provincial Government towards the mining industry. At last year's session of the Local Legislature authority was given to appoint a commission to enquire into the working of the mining laws of the Province, but nothing definite has yet been done in this matter. There is a feeling among mining men that there is a disposition to unduly burden the mining industry for revenue purposes, but there is not, on the whole, much ground for reasonable complaint. The opinion is general that it will be well for the Legislature to avoid tinkering with the mining laws, for the less frequently they are altered the greater the security felt by those investing capital in the industry. Apart from the two per cent. tax levied on the output of the mines (less freight and treatment charges), which mine-owners are endeavoring to have remitted, it is agreed that further legislation is not called for. The Provincial Department of Mines is doing excellent work. It endeavors to give information relating to mining districts and, as far as it can do so, about individual mines, especially to prospectors, but it very properly refuses to express any opinion at all as to the values of mining stocks. It has its own assay office, where assays are made for the public at the usual rates; laboratory, students' laboratory, and a mineral museum. A room 32 x 76 is reserved exclusively for the exhibition of ores, etc., of commercial value, from the mines of the Province, classified according to the mining divisions from which they are obtained. There is a separate room for the general mineral collection. Examinations of assayers are also held here, incompetent persons being prevented by law from practising as assayers.

The following is a synopsis of the Mining laws of British Columbia:

A free miner is a person, male or female, above the age of eighteen years, who is the holder of a valid free miner's certificate, which costs $5 for a full year or a proportionate sum for any shorter period, but all certificates expire on May 31. A free miner may enter on Crown lands and, too, on other lands where the right to enter has been reserved, and may prospect for minerals, locate claims and mine. Claims may not be located on Indian reserves or within the curtilage of any dwelling. Should a free miner neglect to renew his certificate upon expiry all mining claims held by him under its rights, if not crown-granted, revert to the Crown, unless he be a joint owner, in which case his interest or share reverts to his qualified partners or co-owners. It is not necessary for a shareholder in an incorporated mining company, as such, to possess a free miner's certificate.

A mineral claim is a rectangular piece of ground not exceeding 1,500 feet square. The claim is located by erecting three posts as defined in the Act. In general, location of a claim must be recorded within fifteen days from date of location. A mineral claim, prior to being crown-granted, is held practically on a yearly lease, an essential requirement of which is the doing of assessment work on the claim annually to the value of $100 or, in lieu thereof, payment of that amount to the Mining Recorder. Each assessment must be recorded before the expiration of the year to which it belongs or the claim is deemed abandoned. Should the claim not have been meanwhile re-located by another free miner, record of the assessment work may be made within thirty days immediately following the date of expiry of the year, upon payment of a fee of $10. A survey of a mineral claim may be recorded as an assessment at its actual value to the extent of $100. If during any year work be done to a greater extent than the required $100 any additional sums of $100 each (but not less than $100) may be recorded and counted as assessments for following years. When assessment work to the value of $500 has been recorded the owner of a mineral claim is, upon paying a fee of $25 and giving certain notices, entitled to a Crown grant, after obtainment of which further work on the claim is not compulsory. The Act includes, too, liberal provisions for obtaining mill and tunnel sites and other facilities for the better working of claims.

There are various classes of placer claims severally defined in the "Placer Mining Act" under the heads of creek, bar, dry, bench, hill and precious stone diggings. Placer claims are 250 feet square, but a little variation is provided for under certain conditions. They are located by placing a legal post at each corner and marking on the initial post certain required information. Locations must be recorded within three days, if within ten miles of a recorder's office, but if further away another day is allowed for each additional ten miles. Re-record before the close of each year is requisite for the retention of claims. Continuous work, as far as practicable, during working hours, is necessary, otherwise a cessation of work for seventy-two hours, except for reasons satisfactory to the Gold Commissioner, is regarded as an abandonment. The Commissioner, however, has power to authorize suspension of work under certain conditions and, too, to grant rights to facilitate working of claims. No special privileges are granted to discoverers of "mineral" claims, but those satisfying the Gold Commissioner that they have made a new "placer" discovery are allotted claims of extra size.

No free miner may legally hold by location more than one mineral claim on the same lode or vein, and in placer claims he may not locate more than one on each creek, ravine or hill, and not more than two in the same locality, only one of which may be a creek claim.

In both the "Mineral" and "Placer" Acts provision is made for the formation of mining partnerships, both of a general and limited liability character, also for the collection of the proportion of value of assessment work that may be due from any co-owner.

Leases of unoccupied Crown lands are granted for hydraulicing or dredging, upon the recommendation of the Gold Commissioner, after certain requirements have been complied with. An application fee of $20 is payable. Leases may not exceed twenty years' duration. For a creek lease the maximum area is half a mile, and the minimum annual rental $75; hydraulic lease, area eighty acres, rental $50, and at least $1,000 per annum to be spent in development; dredging lease, area five miles, rental $50 per mile, development work $1,000 per mile per annum, and a royalty, payable to the Government, of fifty cents per ounce on gold mined.

Mineral or placer claims are not subject to taxation unless crown-granted, in which case the tax is twenty-five cents per acre per annum, but if $200 be spent in work on the claim in a year this tax is remitted. A tax of two per cent. is levied on all ores and other mineral products, the valuation being the net returns from the smelter; that is, the cost of freight and treatment is deducted from amount taxed, but not that of mining. These taxes are in substitution for all taxes on the land, and personal property tax in respect of sums so produced, so long as the land is used only for mining purposes. A royalty of fifty cents per thousand feet is charged on all timber taken from the land for mining uses.

Applications for coal or petroleum prospecting licenses must, after the publication of certain notices, be made to the Gold Commissioner, accompanied by plans of the land and a fee of $50, which sum will be applied as the first year's rent. Limit of land license will cover is 640 acres. Extension of lease for a second or third year may be granted. Upon proof of discovery of coal a five years' lease, at a rental of ten cents per acre per annum, may be obtained. A royalty of five cents per ton of coal mined, or one cent per barrel of petroleum is payable. After proof that the land covered by lease has been worked continuously, lessee may, within three months of expiry of lease, purchase said land at $5 per acre.

Fees payable are: For free miner's certificate, $5 per annum; records, $2.50 each; leases under "Placer Mining Act," etc., $5. Incorporated companies pay for a free miner's certificate $50 per annum where the nominal capital is $100,000 or under, and $100 where it exceeds that sum.

E. JACOBS

GREENWOOD, B. C., June 1901

THE GROWTH OF OUR FOREIGN INVESTMENTS

THE statistics and remarks which follow are given with the object of supporting the contention that Canada is destined ultimately to become a lending nation. The objection may be urged that such a happy consummation is distant too far in the future for profitable discussion, but it may surprise many readers to learn how substantial is the progress that has already been made in this direction.

Of course the first requisite towards becoming a lending nation is the possession of a sufficiently large accumulation of wealth with which to make the loans. Generally speaking this must be in excess of home requirements. The great sources of wealth are natural products—of the soil, the mine, the forests and fisheries. Manufacturing, carrying and other services do but add somewhat to the value of the natural product.

In relegating to the nations their standing in the future, it certainly appears that those which possess the greatest abundance of accessible natural products over and above their own necessities, will become the creditors of other nations which require and must pay for these products. England may be cited as an existing contradiction to this statement, but it must be remembered that the position of England is peculiar. For a long time she had practically a monopoly of the ocean carrying and distributing business of the world, at a time when the charges for carrying and distributing formed a much larger proportion than now, of the final value of the product. The remuneration she received for the performance of these services in the past must have constituted an important part of her great accumulation of wealth. Statisticians claim that England is now engaged in eating up her capital.

The expectation that Canada will become a lending nation is based then upon the knowledge that she possesses vast and unlimited supplies of the different sources of wealth. The figures following will be arranged with the object of showing, first the rapid pace at which our resources are being converted into money, next the correspondingly rapid increase in the accumulated savings of our people, and lastly, the necessity that has been imposed upon the custodians of these savings, of seeking new and unaccustomed channels in which to employ the surplus that has piled up in their hands, and the growing importance of "foreign investments" as an outlet for accumulated funds.

	PRODUCTS OF THE MINE		PRODUCTS OF THE FISHERIES	
Year.	Yield.	Exported	Yield	Exports
1896........	$22,584.513	$ 8,056,047	$20,407.424	$11,077,765
1897........	28,661,430	11,297,593	22,783,546	10,314,323
1898........	38,697,021	14,460,056	19,667,126	10,841,661
1899........	49,584,027	13,365,442	* not given.	9,909,662
1900........	63,775,090	....	....	....

It will be seen from the above that an increasing proportion of our mineral production is being consumed at home, presumably in various new industries and increased development work. Foreign capitalists are playing a conspicuous part in the exploitation of our mines, but there is considerable Canadian capital invested as well. Even when the development is effected by foreigners with foreign capital, it is only the profit that goes abroad. Roughly, the working expenses remain in Canada.

EXPORTS OF OTHER DOMESTIC PRODUCTS

Year	Agricultural and "Animal"	Forests	Manufactures
1896................	$50,591,002	$6,067,741	$30,476,932
1897................	57,227,898	6,066,585	34,715,480
1898................	77,364,755	6,013,942	31,179,113
1899................	69,696,045	5,486,724	34,244,220

An accurate idea as to the increasing value of the soil and its appurtenances, whence the agricultural products were derived, cannot be obtained from the above. Conditions of climate and rainfall affect the yield from year to year, and the variations in prices caused by short and surplus yields in the rest of the world, affect the values. Also, decreased or stationary exports of any of the above can probably be ascribed in part to the increased home consumption, the demands of an increased population in the

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Yield of minerals, from "Report of Geological Survey," just published. Other figures, unless specially mentioned, are from "Statistical Year Book of Canada" for 1899, the last issued.

Yukon and other new mining districts. Our hopes for the future are based mainly upon the agricultural and animal, and mineral production, and of course the manufactures. With the steadily increasing area of land under cultivation, and increasing farming population there seems no reason to doubt that our agricultural and animal production will attain very much greater importance in the near future. And as for the mineral outlook, with gold mining in the Yukon and British Columbia, coal in Nova Scotia, British Columbia and North West Territories, and the copper, iron, lead, zinc and nickel on the north shore of Lake Superior and other places all rapidly increasing and expanding, the prospects for the future seem almost incalculably bright.

Proceeding to the second part of this paper, we can discern clearly from the reports furnished to Government by our financial institutions that the accumulation of the savings of Canadians is progressing at a very rapid rate.

Owing to their activity in supplying banking facilities to every locality possessing the slightest claim, and in keeping closely in touch with every industry and all classes of citizens, the chartered banks have gathered in the lion's share of the increased deposits of the country, and it is by an examination of their operations that we can best discover signs of any new departures in financial methods.

Valuable additional knowledge is furnished however by the reports of other institutions.

DEPOSITS

Year	Chartered Banks	Government Savings Banks
1896	$204,837,653	$46,799.319
1897	232,848,467	48,934,976
1898	257,081,655	50,111,119
1899	283.516,103	50,241,715
1900	*328,649,633	....

Year	Loan Companies and Building Societies	Special Savings Banks
1896	$19,404,878	$14,459,833
1897	19,667,112	15,025.564
1898	18,986,154	15.482,100
1899	19,466,676	15,893.567

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*Includes $20,442,385 " Deposits elsewhere than in Canada." Although the banks held these deposits previous to 1900, they were not previously separated from the Canadian deposits in their returns, and the comparison is thus a fairer one with the inclusion.

A certain portion of the life insurance premiums paid, notably those for endowment or investment policies, might fairly be classed as additions to the deposits or savings of citizens. Indeed in one sense the bulk of the premiums paid (less expenses) are deposits, the withdrawal taking place when policies become claims.

Year	Life Inusurance Premiums Paid
1896	$10,602,666
1897	11,215,818
1898	11,994,164
1899	13,077,619

To arrive at the aggregate wealth of our people in the form of deposits, certain deductions from these totals would require to be made. The Loan Companies and Special Savings Banks place some of their surplus or unused deposits in chartered banks. The insurance companies do likewise. A portion also of the Dominion Government balances in the banks must be considered as belonging to depositors in the Government Savings Banks, as withdrawals are met by means of cheques on the banks. The banks themselves keep considerable balances in other banks, which represent surplus deposits. Thus deposits of some millions of dollars are duplicated, practically the same money parading as deposits in the returns of more than one institution. Also in times of great trade expansion, bank deposits are swollen somewhat by the increased number and amount of cheques and items in circulation. These qualifications would affect the figures for the aggregate deposits, but not very appreciably the comparison from year to year, in ordinary conditions of business.

Turning for a moment to the loan companies, the reduction in their holdings of mortgages on real estate affords further evidence of growing prosperity.

LOAN COMPANIES AND BUILDING SOCIETIES—CURRENT LOANS ON REAL ESTATE

Year				
1896	94	companies	held	$115,734,851
1897	95	"	"	111,548,225
1898	95	"	"	111,293,688
1899	102	"	"	111,672,467

In three years a decrease of over $4,000,000 notwithstanding that the number of companies reporting had increased by eight.

Some of this decrease may be due to the more active invasion of the field by private individuals and by insurance companies, but when it is considered that the area of land in cultivation and the value of the real estate of the whole country must have increased very materially, it should be conceded that merely not to have increased our mortgage indebtedness to the loan companies would be to have progressed substantially.

The next comparison is of dual significance as indicating both the increased wealth of Canadians, and also the employment of that wealth in the liquidation of our foreign indebtedness.

LIABILITIES OF LOAN COMPANIES AND BUILDING SOCIETIES

Year	Debentures payable in Canada	Debentures payable elsewhere
1893	$10,028,102	$49,408,398
1894	10,388,146	47,153,562
1895	11,272,570	45,854,391
1896	11,769,285	44,736,097
1897	11,869,512	41,355,134
1898	12,667,914	40,373,067
1899	13,956,083	37,372,811

In the six years under review, Canadian investors have purchased $3,927,981 additional loan company debentures, and a decrease of $12,035,587 has taken place in the debentures payable elsewhere than in Canada. In other words, our foreign liabilities have been reduced by over $12,000,000.

A considerable amount of the savings of the people has been absorbed in recent industrial flotations, and in city, town and municipal debentures. The latest issue of importance being that of the "Dominion Iron and Steel." The Canadian applications according to the "Montreal Gazette" amounted to $5,600,000 for an issue of $3,000,000 preferred stock. As long ago as June 1899, the absorption of capital in these flotations was so considerable that the General Manager of the Canadian Bank of Commerce thought it well to emit a warning at the Annual Meeting of the shareholders of the bank, to the effect "that it was quite possible for us in Canada to overdo this investing in public companies, as the amount of money available for this purpose was limited, and that we might get some sharp reminders if too much was locked up."

The additions to bank capitals and reserve funds, and loan company capitals and proprietary funds were as follows:

	CHARTERED BANKS	LOAN COMPANIES
Year	Amount of capital and reserve	Capital and proprietary funds
1896..........	$ 88,402,153	$55,956,088
1897..........	89,805,325	56,630,414
1898..........	91,197,340	57,575,706
1899..........	93,551,746	60,000,772
1900..........	101,588,460	....

On examining the reverse side of the bank balance sheet, we find that the growth of "current discounts" has not kept pace with the increase in deposits.

CHARTERED BANKS

Year	Current Discounts
1896................................	$210,522,074
1897................................	205,931,017
1898................................	229,900,030
1899................................	266,678,601
1900................................	*295,726,182

The increase in deposits being over 60% while that of current discounts was barely 40%. The presumption is that the investments in public companies have supplied demands formerly filled by the banks.

The primary effect of the accumulation in the hands of the banks of a growing surplus seeking investment was to increase the call loans, and consequently speculation. (Perhaps to stimulate the formation of still more public companies by the easiness and cheapness of money). Also, the competition amongst the banks was aggravated and increased.

The ultimate result has been, that bankers have gone abroad in search of investments rather than intensify the existing competition in Canada. Branches or agencies of Canadian banks are now to be found in London, England; New York, Boston, Chicago, New Orleans, the Pacific and Western States, Newfoundland, the Bermudas, the West Indies and Cuba, many of them established within the last four or five years.

The following from the Bank Return for February, 1901 shows the extent of our banks' foreign business:—

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*Includes $20,079,290 "foreign loans." See footnote appended to comparison of chartered bank deposits.

CANADIAN BANKS—FOREIGN LIABILITIES, FEBRUARY 28, 1901

Due to British banks	$ 3,055,735
Due to Foreign banks	786,832
Deposits elsewhere than in Canada	20,974,155
	$24,816,722

FOREIGN ASSETS

Due by British banks	$ 5,475,825
Due by Foreign banks	9,490 032
Call loans elsewhere than in Canada	32,404,832
Current loans elsewhere than in Canada	20,042,273
	$67,412,982

A net investment abroad of $42,596,260. But, in addition to this, the banks held in "Railway Securities" $27,496,605, a large proportion of which undoubtedly consists of "foreign rails." We can then fairly assume that our banks alone have a net amount of about $60,000,000 invested abroad. The holdings of foreign investments by other corporations, firms and individuals cannot be ascertained but must be considerable.

There seems to be little doubt as to the direction in which the foregoing sets of statistics point. And that the rapid growth of the savings of our people will continue, and foreign investments assume very much greater magnitude in the course of a few years, the advancement being subject of course to the chances of temporary checks and set backs brought about by over-speculation, crop failures, and other causes.

The reflection that our citizens and institutions are lending their money in, and carrying on a share of the business of other countries is naturally agreeable to our vanity, but there are benefits more substantial to be derived from even the existing extent of our investments abroad. One only will be mentioned—the additional assurance that is afforded the mercantile community of getting advances in times of panic, on good securities. This boon is one that would perhaps be better appreciated by American merchants who were forced in 1893 to undergo the experience of being refused advances even against gilt edged securities, because the money was not to be had at any price.

It is a fact well known in financial circles that at the commencement of a crisis, in order to avert additional disaster it is necessary for the banks to lend freely, and this possibly in the face of a drain of deposits. Otherwise important solvent concerns temporarily in urgent need of money would be obliged to suspend, and their stoppage would aggravate and intensify the general distrust and panic. The London "Statist" quotes a leading London financier as declaring that "had the joint stock banks persisted in their course of refusing to lend during the Baring crisis, England would have had the worst panic she had ever seen."

The large holdings by our banks of foreign bonds and investments furnish the wherewithal to meet extraordinary demands without contracting Canadian discounts. The "call loans" on stocks and bonds in Canada are considered by many as sufficiently available for emergencies, but Montreal bankers have a vivid recollection of the result a few years ago when several banks sought to call their loans in a period of normal condition of business. Prices fell and a panic was almost precipitated, and it was found necessary to stop the liquidation. Realizing on call loans in Montreal or Toronto to any extent, would depend upon the willingness of other banks to step into the shoes of the calling banks, and loan against the same security. In times of disturbance when the necessity usually arises for realizing on assets, it is extremely probable that those banks whose cash reserves were sufficiently strong to enable them to take up these securities, would prefer to keep their money rather than strengthen competitors. Then would come the test as to the nature of the stocks and bonds loaned against "at call." If they were those of mining companies and sundry "industrials" not possessing an international value, they would be about as useful for raising money in a hurry as so much waste paper. If, on the other hand, they were standard stocks and bonds of high character, known in London or New York, money could be obtained on them in a day from either of those places. We have been so long without a panic or disturbance worthy of the name, that we are apt to leave them entirely out of our calculations. Older and wealthier nations have found it to be impossible to escape altogether from financial depressions and disasters, and we cannot reasonably hope to go unscathed. We know from the history of these things that they usually follow in the wake of periods of exceptional prosperity, such as the United States and Canada have just been enjoying. Many American writers have been drawing attention to the unprecedented extent to which speculation has lately been carried in Wall Street, and have predicted that a crash of some kind is inevitable. Our commercial and financial connections with New York are so intimate that any disaster there cannot fail to affect us sorely. The moral is obvious. While congratulating ourselves upon our present prosperity, and upon the prospects of our attaining enhanced financial importance among the nations of the world, we must not neglect to provide against periods of discouragement that may be at our very door, and in our several businesses always to remember, that a safe margin of profit, and not the glory of a big turnover, is the justification for expansion.

H. M. P. ECKARDT

MONTREAL, May 1st, 1901

THE LATE JOHN PATON

"But I have seen those who have arrived at a fearless contemplation of the future, from faith in the doctrine which our religion teaches. Such men were not only calm and supported, but cheerful in the hour of death; and I never quitted such a sick chamber without a hope that my last end might be like theirs."—*Sir Henry Halford.*

MR. JOHN PATON, who died in London on the 30th March last, was one of the many men whose clean and upright lives have enabled them to meet death without fear. A kindly and courteous gentleman, he will long be held in remembrance by the numerous devoted friends he made on both sides of the Atlantic during his banking and business career.

The writer of a very appreciative and interesting review of the life of Mr. Paton, published in a Montreal paper, thus records his impressions of the subject of this obituary.

"Forty years ago few men were more widely known and universally respected in commercial circles and in our Presbyterian Church Courts than the subject of this sketch, who departed this life somewhat suddenly and unexpectedly at his home in Stanhope Place, London, on the 30th ult., from an acute attack of influenza. I first knew him away back in the fifties as the Superintendent of St. Andrew's Church Sabbath School, Kingston, and also of the Branch Sunday School in the adjacent village of Portsmith."

The writer then refers to Mr. Paton as one who conducted his classes "with a zeal and efficiency rarely equaled." He is said to have attended to his self-appointed work with unfailing punctuality in all weathers. By his instructions and his admirable example and his earnest and eloquent advocacy of missionary and benevolent work, he will always be remembered in the locality named.

THE LATE JOHN PATON

Many old friends of Mr. Paton residing in the city of Montreal speak of him as one whose loyalty and patriotism were quite as marked as his zeal in religious work. He was one of the first majors of the Princess of Wales Rifles. He ultimately became Colonel of the regiment, retiring therefrom in 1869 retaining rank. In later years, he is said to have derived much pleasure from his receipt of a medal in recognition of his military services at the time of the Fenian Raid in 1866.

Mr. Paton was for many years in the service of the Bank of British North America, and from 1869 to 1874 filled the responsible position of New York agent of that institution. In April, 1874, he resigned and entered the firm of Messrs. M. K. Jesup, Paton & Co., New York, retiring therefrom a few years ago to take up his residence in England. In January, 1900, he was elected a director of the Bank of British North America. His long experience of mercantile and financial affairs in the United States rendered him well qualified to give the most valuable assistance to his colleagues at the court of directors.

Mr. Paton was born at Ancrum, Roxburgshire, Scotland, in 1831, and to the close of his long and useful life, maintained his interest in church work, edited a monthly church paper, wrote for the press, lectured on a variety of subjects, "always delighting his audiences with graphic accounts of his travels in Palestine and other lands."

The news of his death will be received with regret by all Canadians who had the pleasure of knowing him, and he will long be remembered as a man fully deserving of the tribute paid to him by the Montreal friends whose praise finds utterance in the quotation: "Diligent in business; serving the Lord." Such was John Paton.

J. K.

GILBART LECTURES, 1901*

No. I

BY SIR JOHN PAGET, BART., BARRISTER-AT-LAW

CROSSED CHEQUES—MEANING OF THE TERM "CUSTOMER" IN SEC. 82 OF THE BILLS OF EXCHANGE ACT

NOW, I suppose you expect me to say something this year about that case of the Great Western Railway and the London and County Bank, with which we dealt last year, inasmuch as, since we parted, the Court of Appeal have affirmed the decision of Mr. Justice Bigham, a decision with which I felt myself bound to disagree, and with regard to which your answers in the examination, with, as far as I can recollect, not a single exception, supported my view. As you may remember, the main point was whether a man named Huggins was a customer of the bank, so as to entitle the bank to the protection of section 82 of the Bills of Exchange Act, they having received from the London Joint Stock Bank the proceeds of a crossed cheque for £142 10s., drawn on that bank, which they got from Huggins, and which Huggins got from the plaintiff company, the Great Western Railway, by fraud. Huggins was a rate collector; he had no account at the London and County, and he never had had one, nor had he a pass-book. For about twenty years he had been in the habit of bringing to the Wantage branch of the London and County cheques payable to him, some crossed, some not, drawn on different banks, and the London and County either gave him the whole of the amount of the money over the counter, or they gave him part, and put the rest to accounts named by him. They never deducted anything from the amounts for discount, commission or anything, or made one single penny out of the transaction. It is stated that he was well known to the manager and officials of the defendants' Wantage branch, which does not seem improbable, seeing that these transactions, though separate and independent, involved the cashing of some fifty or sixty cheques each year of the twenty years they had continued. No entry appears ever to have been made in the bank book, or any receipt or other document given in relation to any of the transactions. On these facts Mr. Justice Bigham held that Huggins was a customer of the bank within section 82, and that they were protected by that section. Last year I told you that an appeal was pending, and now the Court of Appeal, or rather, the majority of the Court of Appeal, have affirmed the view of Mr. Justice Bigham.

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The present Master of the Rolls, then Mr. Justice A. L. Smith, says: "I do not agree with the suggested reading of the "section that the word customer is confined to the case of a "person who keeps a current account with a bank. I cannot "find any such limitation in the section. This is not like," he said, "the case of a stranger coming to a bank upon an isolated "occasion to get a cheque cashed, which was the case in *Mathews* "*vs. Brown*, where it was held that such a person was not a "customer within the section, Mr. Justice Cave saying that the "word customer involved something of use and habit. In the "present case," he goes on, "there has been use and habit for "twenty years. It was upon the same principle that in the case "of the Credit Lyonnais Mr. Justice Collins decided that one "Ponce was not a customer, the learned judge saying that, to "constitute him one, his relations must be much nearer and "closer than that of Ponce in that case. I think," the Master of the Rolls said, "that the cashing of the cheques for Huggins, "and then the collecting of the cheques by the defendant bank, "during a period of twenty years as a matter of fact, constituted "Huggins a customer of the bank." Lord Justice Vaughan Williams did not deal with the question of custom at all, his own view being that, whether Huggins was a customer or not, the bank had not to receive payment for him but for themselves, which rendered the prior question unnecessary; but finding himself in a minority, he, as we shall see, declined to give a dissentient judgment. Lord Justice Romer says: "If I am right in "the view that the true arrangement between Huggins and the "bank in cashing his cheques was that the bank should receive "payment of them for Huggins, and apply the proceeds in "repayment of its advances, then I cannot doubt, bearing in "mind how long and continuously that arrangement has existed "and been acted upon, but that at the time the cheque in question in this action was cashed, the relation of banker and "customer existed between Huggins and the defendant bank, "and that the bank received payment of that cheque for a "customer within the meaning of section 82. It cannot have "been essential," he says, "that a current account should have "been opened into which the advances on the cheques on the "one hand, and the payments to the bank on these cheques on "the other, should be entered."

Now, I am not going to repeat what I said on this point last year. Naturally, in view of the decision of the majority of the Court of Appeal, I have reconsidered the matter, but with all respect to that tribunal I am quite unconvinced, and I can only adhere to the view I previously held and expressed to you, namely, that Huggins was neither for the purpose of section 82, nor in fact, a customer of the bank; nor did the relation of banker and customer exist between him and the bank as Lord Justice Romer expressly says it did. To my mind, the entire absence of any possible profit to the bank is fatal to the character of customer or the existence of the business relation of banker and customer. The gratuitous cashing of cheques is not banking business, and the repetition of an incident which in itself is not a business transaction cannot constitute a business relation. Six noughts do not make six, and, if that be legitimate banking business, a bank might devote itself exclusively to it, and its balance-sheet at the end of the year would be a very interesting study. The Court of Appeal, like Mr. Justice Bigham, was disposed to say that the question of customer or not was one of fact, though, as I have told you, they gave their ground for holding that Huggins was one. As you know, I regarded it more as a question of law, but, admitting it to be a question of fact, on that basis, you, as bankers, are pre-eminently fitted to decide it, and, backed up by the unanimous support my view met with last year, I respectfully decline to recant anything I have said on the subject, notwithstanding the recent judgment. There is this con solation, however, that at present we must take our law from the Court, and not from me; and therefore, on the authority of the Court of Appeal, you are pursuing legitimate banking business if you philanthropically cash cheques over the counter without fee or reward for a man who has no account or any other dealings with you; and if you go on doing it long enough, say twenty years, you will reap your reward—your only reward—in being protected under section 82, if at last he passes off a bad one on you and vanishes. For the Court of Appeal not only held that Huggins was a customer, but two members at any rate of the Court held that the bank received payment of the cheque for him and not for themselves, that being, as you know, the other necessary element of protection under section 82. Lord Justice Vaughan Williams took the opposite view. He said he thought he ought not to differ from three judges on what was treated as a question of fact—the three, of course, including the judge in the Court below. Here, again, the view of the majority of the Court is, unfortunately, not in accord with that I put forward last year, nor, I venture to think, with previous authority. Remember the facts. The bank gave Huggins for a cheque for £142. 10s., drawn to him or order, and crossed generally and "not negotiable," the sum of £117 10s in cash over the counter, and at his request put the balance, £25, to the credit of the Wantage District Council with the bank, exactly the same effect as if he had had the whole £142 10s over the counter. Huggins had endorsed the cheque; no entry was made in the bank books, nor was any receipt or other document given in relation to the transaction, except that the clerk who took the cheque filled in a paying-in slip, which Huggins signed. That paying-in slip contained no reference to the cheque itself, but purported to show a payment into the bank of £142 10s in money, a payment out to Huggins of £117 10s, and a payment of £25, as I told you, to the credit of the District Council's account at his request.

Now, when the bank subsequently received payment for the cheque from the London Joint Stock Bank, did they receive it for Huggins or for themselves? Let us see what the judges say in the Court of Appeal. The present Master of the Rolls said: "Then comes the next question—Did the bank receive payment "of the cheque for their customer Huggins or for themselves?

"It is said for the plaintiffs that the bank did not do so, for it "purchased from Huggins the cheque in question, and took it for "better or worse. I cannot think so," he said. "The defend-"ant bank charged nothing for undertaking the suggested lia-"bility. Why should they have done so? I heard no reason, "and I cannot conceive why they should have done so. The "truth is, that the branch bank, to accommodate Huggins—and "possibly themselves in being able thus to pass money to "London—cashed the London cheque at Wantage, undertaking "to collect it for Huggins, he, and not the bank, standing the "risk of the cheque not being met by the drawers. In my "judgment they did not purchase the cheque at all; they "collected it for Huggins and not for themselves." Lord Justice Romer said: "I think, on the facts, the preferable view of the "arrangement between Huggins and the bank with reference to "the cheque in question is, that the latter were to forward the "cheque for collection, and to receive the proceeds on behalf of "Huggins in the sense in which the section speaks of a bank "receiving payment for a customer, and that, in anticipation of "such receipt, the bank advanced to Huggins the amount of the "cheque." The Lord Justice then proceeds to state that, in his view, this position was not inconsistent with the bank's having a full beneficial interest in the cheque—that is to say, being holders for value. He considers the case analogous to that of a bank taking a cheque from a customer whose account is overdrawn—such a case as Clark and the London and County, which we discussed last year, and in which, as you may recollect, the Court held that the bank was nevertheless protected under section 82 as having received the proceeds for the customer. As I told you last year, I was not prepared to dissent from that decision; it was a reasonable one, and I kept rather an open mind with regard to it. I showed you the two ways in which it could be argued for and against, and I left you to decide for yourselves between the two. But, however that may be, I do not think the analogy set up by Lord Justice Romer between the cheque paid in to the overdrawn account and the cheque cashed over the counter is quite a true one. Admit that you do collect for the customer, and not for yourselves, the cheque he pays in to an overdrawn account. Is the case the same where you give him the money out-and-out over the counter, and subsequently receive payment of the cheque from the bank on which it was drawn, no trace of the transaction appearing in the bank books? Surely not. In the first case of the overdrawn account, the direct interest of the customer in the cheque and the destination of its proceeds enures at the date the banker receives its proceeds. These proceeds must go into the account, or if the cheque has been previously entered as a cash receipt, the receipt of the proceeds operates as a confirmation of the interest. Suppose the customer had purchased a horse, the joint property of the partners in the bank, and he paid in a check to his overdrawn account, the partners could not very well say, "We won't put "this cheque to the credit of the account at all; we will present it "for payment, and keep the proceeds for the price of the horse." But where the money is given for the cheque out-and-out over the counter, the customer has no further interest in it except that it shall be paid, if duly presented. He does not care whether it is presented or not, or what is done with the proceeds when received; he has got cash for it, and that is enough for him. Moreover, the presumption of absolute transfer, to which I shall refer presently, is obviously very far weaker where the cheque is paid in than where cash is at once given for it. Then Lord Justice Romer goes on as follows, giving his reasons why he considered that the bank received this for the customer and not for themselves. "The chief fact," he said, "which leads me to the con- "clusion that in this case the bank received payment of the "cheque for Huggins is, that throughout the long period during "which Huggins' cheques were cashed by the bank there is no "evidence or suggestion of any bargain being come to between "them, or of any contract of purchase being negotiated or really "intended. It is clear that no remuneration was paid to the bank "by Huggins for advancing the amounts of the cheques; "and I cannot think it was intended that the bank should "run any risk in the matter of title, or any risk what- "ever other than that involved in the mere advance of "the amounts of the cheques. It must be remembered "that what the bank cashed for Huggins were cheques "payable immediately and drawn to his order, and were "not even like short bills; and the true intent of the parties is, in "my opinion, further shown by the fact that the bank advanced "the full amount of the cheques without charge, even though "some were, like the one in question in this case, crossed 'not "'negotiable,' which to a bank must necessarily have caused "hesitation or doubt if the bank were doing anything more than "acting as a bank in receiving payment of the cheques on behalf of a customer."

Now, I told you last year that I did not believe that either in law or in fact, the bank received this money for anyone but themselves, and that I thought that the inference that they advanced the money to Huggins, and received the money for him, and repaid themselves out of it, was too far drawn to stand good. Now, however, that view has been adopted by such high authority, I feel bound to go a little more deeply into the matter, and I do so the more readily because it incidentally raises questions of importance outside the limits of this particular case. Now, to start with, note this—that the whole drift of the argument of the Court is based on probabilities, a presumption of what reasonable business men would do; why should they take this or that risk; what did they get for it; there was no reason why they should take it; they would get nothing out of it; therefore they did not do it, and another agreement or state of circumstances must be presumed. I do not in any way object to this method of coming to a conclusion. It was most effectively applied by the Judicial Committee in the case of Gaden and the Newfoundland Savings Bank, which we dealt with last year; and, if carefully utilized, it is calculated to get at the truth. Only one must be sure that the premises from which one works are all right. Now, in the first place, the presumption to start with is against the bank. They have to prove their case; to show strong reasons why their contention is the right one; Lord Justice Vaughan lays that down, and the other judges treat the matter as if it was so; for here you have the bank in the possession of cheques of which they are admittedly holders for value, in which they have a beneficial interest, and of which they have come into possession by handing over the full face value to the person from whom they took them. I take it that Huggins generally got order cheques, or if by chance he brought a bearer cheque to the bank, they not unnaturally made him put his name on the back of it. If so, it was, in the light of what I am coming to, a very significant act; but it is enough for me to show you that throughout their judgment the Court were only dealing with endorsed cheques.

Note this last point, because a great deal turns upon it—that the cheques were endorsed by Huggins. The particular cheque in this case was, of course, endorsed by him, and the Master of the Rolls says Huggins' ordinary course of business with the defendant bank was to go to its Wantage branch when he received cheques from the plaintiffs, endorse them, and then present them to the Wantage branch to be cashed; and this the defendant bank was accustomed to do for Huggins. This was the course of business between the defendant bank and Huggins.

Lord Justice Vaughan Williams says the defendants would in no sense have had to sue as trustees for Huggins. This would have been their right and position as endorsees *bonâ fide* for value. And Lord Justice Romer says it must be remembered that what the bank cashed for Huggins were cheques payable immediately, and drawn to his order. Now, on that set of facts, and until the contrary is definitely proved, the person in possession of the cheque must be regarded as the absolute owner thereof, as having taken it for better or for worse. As Chalmers says, at page 87, *prima facie*, when a bill is negotiated from one person to another, it is deemed to have been wholly transferred to him, and not to have been pledged or deposited as collateral security; and the endorsement by the person transferring the bill is strong evidence that the property in it passes. The point has generally arisen in bankruptcy cases, where it was a question whether the property in the bills had passed to the banker or remained with the customer. And in the old days endorsement seems to have been regarded as a complete settlement of that question. Sir George Rose once said: "In all these cases the question is whether the bills were "endorsed by the party depositing them, or were deposited as "mere chattels to secure the payment of the debt." That was probably going too far. Lord Eldon, in 1812, put the case somewhat less strongly. He said, "where bills remitted are "endorsed, the holder, *prima facie*, may go against anyone "whose name is on them; and all these bills being endorsed, he "says in that particular case, it is upon the other side to prove "that it was not to give a demand upon the bills against the drawers and endorsers. The real question is whether the bills were "endorsed by the Lees—one of the parties in the action—as their "own to work out payment of the debt, or merely that they might "collect the money, and not to enable them to go against the "endorsers; a proposition which the other party must make out. "It must be clearly established," he says, "that, notwithstanding "the endorsement, the meaning was mere deposit."

Of course one sees the reason of this. I have dwelt on it before, when we were talking of taking uncleared cheques for better or worse; and I told you that, even if you were fixed with that position on a cheque endorsed by your customer, you could go against him perfectly well on the endorsement. If a man merely deposits bills as a pledge, simply to be held until he redeems them, just as he might pledge his watch, he would not endorse them even if they were order bills. That, however, cannot be a common state of affairs. There are many cases going even beyond the views enunciated by Lord Eldon, in which—especially in the case of bills and cheques coming into the hands of bankers—the endorsement of the customer cannot be interpreted to have the effect of passing the property to his banker. There is, for instance, the every-day practice of endorsing for collection; but there is the presumption that the endorser, *prima facie*, put his name on the instrument as part of the transfer. He has put it there because the person to whom he passes the bill, not knowing the other parties to it, wants his liability on it, so as to be able, if necessary, to sue not only the other parties, but his immediate transferor. Now, how did the London and County Bank, or the majority of the Court on their behalf, get over this presumption? Not one tittle of evidence rebutting the presumption was given; no evidence as to any agreement or understanding actually come to at any time between the bank and Huggins. No doubt the initial transaction took place a long while ago; but one would have thought that the bank might have found someone, or some record, to prove that Huggins had been told that the bank were only undertaking to collect for him in the strict sense of the term, if such had been the fact; but, as I say, no actual agreement was ever suggested. The presumption was met by a counter presumption only, and the main ground of the counter presumption is this, that if the bank were held to have taken the cheques as transferees, for better or worse, they would have had no recourse against Huggins if the drawers did not meet them on presentation, or if they were affected with any defect in title. This position involved far greater risks to the bank. It is the position the bank claimed to hold, that, therefore, they had not assumed it; in short, that the bank could not have been such fools as to gratuitously guarantee the cheques. And, therefore, the Court presumed another arrangement, namely, that they were to be collected. Now, this is where, to my mind, the premises in the counter presumption fail. Their Lordships seem to have overlooked two important facts: first, that the cheques were endorsed by Huggins; secondly, that he got the money down for them, and that, therefore, by reason of the endorsement, the bank had recourse against Huggins. Where a banker has got his customer's endorsement, as I said before, I think it makes little or no difference in the risk whether he takes the cheque as transferee, or for collection. Say he takes it as transferee, and it is dishonoured, he gives the customer notice of dishonour, and he can sue him on his endorsement; it matters not whether it is dishonoured by the default of the drawer, or some defect of the title in the customer.

Lord Justice Romer, in the passage I read to you, says that the risk was increased by some of the cheques being marked "Not negotiable." That can make no difference as between the banker and the customer who has endorsed the cheque. If the cheques had not been endorsed by Huggins I daresay the risk might possibly have been greater, as I have always considered that theory of cashing a bearer cheque on the credit of the customer a somewhat dubious one, although there is some authority for it. Only that is not the case here; the counter presumption deals, and has to deal, only with the cheques endorsed by Huggins. The endorser of a "not negotiable" cheque is just as liable to his immediate endorsee as if the cheque was not so crossed; if anything, more so. . . .

Now, tabulate the position. First, if you are only collecting, you cannot sue the customer on his endorsement. Lord Justice Brett said in *ex parte* Schofield, in 1879, could not the bank have sued Firth, that is, the customer, as endorser of the bills? If they could, they were the owners of the bills. If a bill is endorsed to a banker merely for the purpose of collecting, there is no consideration, and he could not sue the endorser. That is Lord Justice Brett's view; but I take it that you could sue the customer, or the person for whom you were collecting in that sense. You could sue him for the money as a debt, or as an advance for which the cheque acted as security. If cashing cheques over the counter is part of legitimate banking business, and the person cashing cheques is a customer, which we must presume for the purpose of this argument, then you could sue the persons, other than your customer, liable on the cheque, you being holders for value by virtue of your banker's lien of a document come into your possession in the ordinary course of a banker's business; or apart from that, I take it you might sue those parties in your character of a pledgee of the cheque; but if the cheque were marked "not negotiable," you would, of course, not have, in any case, any better title than your customer had.

Next, how do you stand if you deal with an endorsed cheque as transferee? Then you can sue the customer on the endorsement; you can sue the other parties on the cheque, as holders for value, save that in the case of a non-negotiable cheque you can have no better title than the customer. Now, is there so much difference? Is there any? Is not the position of a transferee of an endorsed cheque really the better one? And yet it is on this supposed difference, on the preponderance of risk in the one case, that the majority of the Court based their conclusion that the bank could never have by any possibility, taken as transferees, presumed an agreement with Huggins that they should not do so, and on that account, and on that ground alone, overruled the unquestionable *prima facia* presumption. One possible pull, and that a somewhat doubtful one, is all I have for a long time been able to see in favour of the collecting theory. Take the particular case that happened: money received by the bank on a crossed cheque, marked "Not negotiable," to which it turned out that Huggins had no title, or a voidable title, and Huggins out of the way. Now, here if the bank was collecting for a customer, they would be protected by section 82; the true owner would not be able to recover against them, as exemplified in this identical case. If they had been transferees, they would not have been protected under section 82. Suppose the true owner sued for conversion, and the money had and received, what would have been their position ? It is curious, the bank's own counsel contended, in this very case, that the bank was not liable, apart altogether from section 82 ; that there was no conversion and no action for money had and received. He said that section 81 affected the title to the cheque only, and not to the proceeds of it ; and as this was a case of a voidable title only, the bank was protected under the doctrine I shall have to tell you about presently, when I come to speak about the true owner.

It is a difficult point, although, as you will subsequently see, my own view inclines in the opposite direction. Still, we can hardly credit the bank with anticipating a danger which their own counsel did not consider to exist ; and we have, therefore, only to deal with this point, that if Huggins had no title whatever, to the cheque, the bank might be liable to the true owner. I think, that in the case of no title at all in Huggins, the bank would have been liable if they could not have got protection under section 82. But there has never been a direct decision as to the effect of section 81 in this respect, and one would hesitate to affirm that any point arising out of that section was free from doubt. But assume that in both cases, namely, where Huggins had no title, and where he had irrevocable title, the bank might have been liable for money received on a non-negotiable cheque as transferees, and would not, if collecting, because they were protected under section 82. . . .

There is one more point. When once you get that the bank had recourse to Huggins on his endorsement, it seems to me that the suggested arrangement could only have in view possible frauds on the part of Huggins ; and I am quite sure the London and County would be the first to repudiate the idea that they ever entertained business with a man against whom it was necessary to take special precautions in that respect. Nor do I feel at all sure that such an agreement, with such an object, if ever made, would secure protection under section 82. Let me also point out this, that it was not at all in view of section 82, that the Court presumed an arrangement with Huggins ; but only on the absolutely mistaken ground that there was otherwise no recourse against him. Throughout the above argument I have put forged endorsement out of the question. It does not come into it, seeing that the cheques were payable to Huggins, and taken straight from him. And even if there were a dozen forged endorsements prior to his, he would be liable on his own. Now, that is where their Lordships go wrong in their premises. The premises failing, the argument as to probabilities goes by the board, as does the ground for inferring the supposed arrangement. There is a fallacy underlying the whole of the reasoning, and that fallacy is that, if the bank took as transferees, they had no recourse against Huggins, which they had, and those are the reasons, the many reasons, why I think Lord Justice Vaughan Williams was right in declining to infer any such arrangement, or to recognize anything rebutting the legal presumption of absolute transfer.

Of course, there is the old argument of discounting or purchasing a cheque. Why, it is asked, should anyone discount or purchase a cheque which is payable immediately? How do you discount or purchase it if you give its full face value? Well, as you know, that has always been rather a puzzle to me. As to the first question, " Why should you discount or purchase the cheque?" one might, not irrelevantly, reply, " Why should you advance the " full amount of it without charging interest or commission?" Then it seems a paradox to say that, if you give less than its full face value, you purchase it, and if you give its full face value you do not. Well, Lord Justice Vaughan Williams on this point says: " It seems immaterial to the question to be decided in the " present case whether you speak of the defendants as discount- " ers or purchasers, or holders for full value. And somehow or " other cheques have always been recognized as having an " intrinsic value beyond their mere face value. If I owe a man " £100, and he accepts £90 in sovereigns in discharge, he can " still sue me for £10 balance, because there is no consideration " for his remitting it. But if he accepts my cheque for £90, or " even for £20, in discharge, his debt is gone altogether. That " shows a difference. There is a rate of exchange abroad for " cheques on England, not necessarily the same as the rate of " exchange for money. They will cash your cheques abroad "without asking any questions, and with what lately struck me "as a sweet disregard for the stamp laws of their own country. "And we talk of 'changing,' or 'cashing a cheque.'" Chalmers uses the phrase over and over again; and now we are told there is no such thing, and what you really do is to borrow the money and pledge the cheque, just as you might your watch. I have drawn dozens of cheques and cashed them at my club. I have endorsed and sent to my bankers small cheques which have come in, and which were not worth paying in to my account, and asked them to cash them, and they have kindly done so. But I give you my word, it never crossed my mind that I was borrowing money. I thought I was liable as drawer or endorser, in case the cheque was not met, which, according to the recent decision, I was not, at any rate in the case of my bankers; and I certainly did not think I was going about looking for a loan, which apparently I was. It is exactly like the case of the French gentleman in the play, who was amazed to learn that he had been talking prose for years without knowing it.

One word more. Even if viewed in this light, if cashing a cheque is really making an advance on it, is not the delivery of the cheque by the drawer or the endorser really a transaction of the nature referred to by the late Lord Eldon in the case I mentioned before? Is not the cheque handed over, at any rate, to the lender as his own, to work out payment of his debt, with the liability of the drawer or endorser to fall back upon if necessary? I must confess I think it is. I think that is an ordinary simple view of it; and where it is a case of an endorsement, we have, in addition, the further presumption afforded by that endorsement. Huggins' cheques were endorsed; why should we not conclude that they were handed over to the bank as their own to work out payment of their debt, in which case, following Lord Eldon's view, they were transferees, and therefore could not receive payment subsequently for anyone but themselves. Now, gentlemen, these are my reconsidered views on this case. I am afraid I am unconvinced and impenitent, especially on the customer point; but still, it is a win for the bankers, and that is something. As Lord Justice Vaughan Williams says, it was practically repealing in favour of Bankers' Section 81 of the Bills of Exchange Act, under which anyone taking charge of the cheque marked "not negotiable" would not have a better title than the person from whom he took it. Only, in face of the repeated assurances of all the judges that both points in the case were pure questions of fact, you must treat the whole decision as merely one of fact, but not rely upon it for aid where the facts are precisely similar, which is not likely to happen; any future case will be like the game of "Solace," in which you piled up stones until the person said it was a heap, then took one away and asked if it was a heap still. If merely gratuitously cashing sixty cheques for twenty years for a man makes him a customer, what would cashing thirty cheques for ten years come to? When does the stranger leave off and the customer begin? When are you, in fact, collecting and when cashing? What facts will establish a presumption that at some period you agreed to do one and not the other?

BY-LAWS OF THE CANADIAN BANKERS ASSOCIATION

A CORPORATION CREATED BY SPECIAL ACT OF THE PARLIAMENT OF CANADA, 63 AND 64 VICT., C. 93 (1900)

(Passed at a general meeting of the Association, held in Toronto on the 15th November, A.D. 1900, and amended at a General Meeting of the Association held in Montreal on the 15th April, A.D. 1901, and approved by the Treasury Board.)*

The following By-Laws are hereby enacted as By-Laws of the Canadian Bankers' Association :—

1. The annual general meetings of the Association shall be held on the second Thursday of the month of November in each year, at such hour and place as may be decided upon by the Executive Council of the Association from time to time. Special general meetings of the Association may be called at any time by the said Executive Council, and shall be called by the President or Secretary-Treasurer on the written requisition of at least five members of the Association.

The requisition (if any) for, and the notice calling any special general meeting shall specify therein the general nature of the business to be considered or transacted thereat. Special general meetings shall be held at such time, hour and place as shall be mentioned in the notice calling the same. Thirty days' notice shall be given of every general meeting of the Association whether annual or special. At any annual or special general meeting of the Association seven persons, duly representing members of the Association, shall form a quorum.

At any annual general meeting of the Association any business may be transacted thereat.

At any special general meeting of the Association only such business shall be transacted as is mentioned in the notice calling such special general meeting.

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*The changes made in the By-laws as printed at page 127 of the current volume of the JOURNAL will be found in sub-sec's. (*a*), (*c*), (*e*) and (*g*) of sec. 13.

2. At every annual general meeting, the members of the Association, through their representatives or proxies, shall elect from among the chief executive officers (as defined by Charter of Incorporation) of members of the Association, a President, four Vice-Presidents, and fourteen Councillors, all of whom shall hold office until the next annual general meeting, or until their successors are appointed, and may also elect Honorary Presidents of the Association, not exceeding three in number, who shall also hold office until the next annual general meeting after their election.

3. The Executive Council of the Association shall consist of the President and Vice-Presidents, and the said fourteen councillors aforesaid, and five shall form a quorum for the transaction of business.

The Honorary Presidents shall also have seats at the Executive Council, but shall have no vote thereat.

4. At all meetings of the Association each member shall have one vote upon each matter submitted for vote. The chairman shall, in addition to any vote he may have as chief executive officer or proxy, have a casting vote in case of a tie.

Each associate shall also have one vote on all subjects except the following, on which members only shall be permitted to vote :—

(1.) Election of officers.

(2.) Action relating to proposed legislation.

(3.) By-laws.

(4.) Adding to, or amending the Charter.

(5.) All other subjects on which general action by the banks is contemplated.

5. The Executive Council may meet together for the despatch of business, adjourn and otherwise regulate its meetings, as it by resolution or otherwise may determine from time to time.

The Secretary-Treasurer shall at any time at the request of the President, or any Vice-President or any other member of the Executive Council convene a meeting of the council. Provided however that no business shall be transacted at a meeting called at a request of a member unless the notice calling the meeting specifies in some general terms that such business will be transacted thereat, but this provision shall not apply to any meeting called at the request of the President or any Vice-President.

On all questions arising at any meeting of the Executive Council each member shall have one vote in addition to any vote he may have as proxy, and the chairman shall have in addition a casting vote.

6. At all meetings of the Association and of the Executive Council, the President, when present, shall be chairman, and in his absence one of the Vice-Presidents chosen by the members of the Council then present; and in the absence of the President and Vice-Presidents, the members of the Council then present may choose some one of their number to be chairman of such meeting.

7. Any member, not represented at a meeting of the Association by one of the officers named in Section 8 of the charter of Incorporation, may vote by proxy, provided such proxy is held by an associate who is an assistant general manager, or assistant cashier, inspector or manager of any bank, or any branch thereof.

Any member of the Executive Council, when not present at any meeting thereof, may be represented thereat by proxy, provided such proxy is held by such an associate as is before mentioned in this by-law. Proxies shall be in writing.

8. The Executive Council may from time to time repeal, amend or add to any of the By-laws of the Association, except those relating to dues, to the clearing house, to the curator and his duties, and to the circulation, but every such repeal, amendment or addition shall only have force until the next annual general meeting of the Association, and if not confirmed thereat shall thereupon cease to have force.

9. The said Executive Council shall have power from time to time to appoint a Secretary-Treasurer, who shall be an officer or ex-officer of a Bank, and to remove him from office, and to fix his remuneration and the terms of his engagement.

The Executive Council shall also have power from time to time to appoint a solicitor or solicitors, and to fix their remuneration for either general or special services, and also to engage counsel where such services may be needed.

10. Existing sub-sections of the Voluntary Association are hereby continued as, and constituted, sub-sections of the Asso-

ciation as incorporated. Sub-sections hereby or hereinafter constituted may pass by-laws for their guidance, subject always to the provisions of the Charter of Incorporation, and the By-Laws of the Association.

The Bankers' Section of the Boards of Trade in the cities of Montreal and Toronto respectively, shall be empowered respectively to represent the Association in all matters connected with legislation in the Legislatures of Quebec and Ontario, respectively—it being understood that the respective Sections will, as fully as possible, keep the President and the Executive Council of the Association advised on all points that may arise in connection with the matters referred to, and will not make representations in the name of the Association contrary to the views of the Executive Council after such views have been expressed.

11. An Editing Committee appointed by the Association shall supervise the publication of the JOURNAL of the Canadian Bankers' Association, and the Executive Council shall appoint such other officers as it may deem necessary; and shall also make such provisions and arrangements from time to time as it deems proper, for lectures, discussions, competitive papers, and examinations.

12. The dues or subscriptions payable to the Association by the members thereof shall be as follows:—

For Banks with a paid-up capital stock of under $1,000,000	$100
For Banks with a paid-up capital stock of $1,000,000 and under $2,000,000	200
For Banks with a paid-up capital stock of $2,000,000 and under $3,000,000	300
For Banks with a paid-up capital stock of $3,000,000 and over	400

The dues or subscriptions payable to the Association by the associates thereof shall be one dollar annually. Members' and Associates' subscriptions shall be payable on or before the 1st February and 1st July respectively in each year.

CIRCULATION

13. (a) A monthly return shall be made to the President of the Canadian Bankers' Association by all banks doing business in Canada, whether members of the Canadian Bankers' Association or not, in the form hereinafter set forth; said return shall be

made up and sent in within the first fifteen days of each month, and shall exhibit the condition of the bank's note circulation on the last juridical day of the month next preceding; and every such monthly return shall be signed by the chief accountant or acting chief accountant and by the president or vice-president, or by any director of the bank, and by the general manager, cashier, or other chief executive officer of the bank at its chief place of business. Every such monthly return which shows therein notes destroyed during such month shall be accompanied by a certificate or certificates in the form hereinafter set forth, covering all the notes mentioned as destroyed in such return, signed by at least three of the directors of the bank, and by the chief executive officer or some officer of the bank acting for him, stating that the notes mentioned in such certificate or certificates have been destroyed in the presence of and under the supervision of the persons respectively signing such certificate or certificates respectively.

FORM OF MONTHLY RETURN OF CIRCULATION ABOVE MENTIONED

CIRCULATION STATEMENT OF THE
(Here state name of bank)

for the month of..............................190..

Credit Balance of Bank Note Accounts on last day of preceding month (inclusive of unsigned notes).......................$

Add notes received from printers during month, viz.:
From.......................$
" ....$ $

$
Less notes destroyed during month (as per certificate herewith)..$

Balance of Bank Note Accounts on last day of month..........$
Less notes on hand, viz.:
Signed........................$
Unsigned ....$ $

Notes in circulation on last day of month.....................$

....

Chief Accountant.

We declare that the foregoing return, to the best of our knowledge and belief, is correct, and shows truly and clearly the state and position of the Note Circulation of said Bank during and on the last day of the period covered by such return.

........................this............day of ....19..

....
President.

....
General Manager.

FORM OF CERTIFICATE OF DESTRUCTION OF NOTES ABOVE MENTIONED

Certificate of Destruction of Notes of the (here mention name of bank) accompanying monthly Circulation Statement for month of............ A.D., 190..

We, the undersigned, hereby certify that we have examined bank notes of this Bank amounting to $.............consisting of the following, viz. : (here set out the denominations) and have burned and destroyed the same, and that the said notes so burned and destroyed by us are not included in any other Certificate of Destruction of Notes signed by us or any of us, or to the best of our knowledge and belief, by any other person to accompany the present or any monthly circulation statement made or to be made to the President of The Canadian Bankers' Association.

........................this.............day of ....19..

....
.... } Directors of said bank.
....

....
General Manager

(b) For all purposes of this by-law, the chief place of business of the Bank of British North America shall be the chief office of the said bank at the City of Montreal, in the Province of Quebec.

And in the case ot the said Bank of British North America the said monthly circulation return shall be signed by the general manager's clerk, or acting general manager's clerk, and by the general manager or the acting general manager of the said bank; and the said certificate of destruction of notes shall be signed by the general manager or acting general manager, the inspector or assistant inspector, and the local manager of the Montreal branch or the acting local manager of the Montreal branch of the said bank, instead of by the persons respectively hereinbefore directed to sign the said returns respectively.

(c) Every bank which neglects to make up and send in as aforesaid any monthly return required by this by-law within the time by this by-law limited, shall incur a penalty of fifty dollars for each and every day after the expiration of such time during which the bank neglects so to make up and send in such return.

(d) The executive council of the association shall have power, by resolution, at any time to direct that an inspection shall be made of the circulation accounts of any bank by an officer or officers to be named in such resolution, and such inspection shall be made accordingly.

(e) Some person or persons appointed from time to time by the executive council of the association shall during the year 1901 (and during every year thereafter) make inspection of the circulation accounts of every bank doing business in Canada, whether members of the association or not, and shall report thereon to the council; and upon every such inspection all and every the officers of the bank whose circulation account shall be so inspected, shall give and afford to the officer or officers making such inspection, all such information and assistance as he or they may require to enable him or them fully to inspect said circulation account, and to report to the council upon the same, and upon the means adopted for the destruction of the notes.

(f) The amount of all penalties imposed upon a bank for any violation of this by-law shall be recoverable and enforceable with costs, at the suit of the Canadian Bankers' Association, and such penalties shall belong to the Canadian Bankers' Association for the uses of the association.

(g) The President of the Canadian Bankers' Association shall each month have printed and forwarded to the chief executive officer of every Bank in Canada subject to the Bank Act, whether a member of the association or not, a statement of the circulation returns of all the banks in Canada for the last preceding month, as received by him.

(h) In this by-law it is declared for greater certainty that the Canadian Bankers' Association herein mentioned and referred to is the association incorporated by special Act of Parliament of Canada, 63 and 64 Vict., C. 93.

CURATOR

14. Whenever any bank suspends payment, a curator, as mentioned in Sec. 24 of the Bank Act Amendment Act, 1900, shall be appointed to supervise the affairs of such bank. Such appointment shall be made in writing by the president of the association or by the person who, during a vacancy in the office of, or in the absence of, the president, may be acting as president of the association.

If a curator so appointed dies, or resigns, another curator may be appointed in his stead in the manner aforesaid.

The executive council may by resolution at any time remove a curator from office and appoint another person curator in his stead.

A curator so appointed shall have all the powers and subject to the provisions of By-Law No. 15, shall perform all the duties imposed upon the curator by the said Bank Act Amendment Act; he shall also furnish all such returns and reports, and give all such information touching the affairs of the suspended bank as the president of the association or the executive council may require of him from time to time.

The remuneration of the curator for his services and his expenses and disbursements in connection with the discharge of his duties shall be fixed and determined from time to time by the executive council.

15. Whenever a bank suspends payment and a curator is accordingly appointed, the president shall also appoint a local advisory board consisting of three members, selected generally as far as possible from among the general managers, assistant general managers, cashiers, inspectors or chief accountants, or branch managers of any bank at the place where the head office of such suspended bank is situated, and the curator shall advise from time to time with such advisory board, and it shall be his duty, before taking any important step in connection with his

duties as curator, to obtain the approval of such advisory board thereto. With the sanction of such advisory board, he may employ such assistants as he may require for the full performance of his duties as curator.

CLEARING HOUSES

16. The rules and regulations contained in this by-law are made in pursuance of the powers contained in the act to incorporate the Canadian Bankers' Association, 63 and 64 Vict., C. 93 (1900), and shall be adopted by, and shall be the rules and regulations governing all clearing houses now existing and established, or that may be hereafter established.

RULES AND REGULATIONS RESPECTING CLEARING HOUSES MADE IN PURSUANCE OF THE POWERS CONTAINED IN THE ACT TO INCORPORATE THE CANADIAN BANKERS' ASSOCIATION

1. The chartered banks doing business in any city or town, or such of them as may desire to do so, may form themselves into a Clearing House. Chartered banks thereafter establishing offices in such city or town may be admitted to the Clearing House by a vote of the members.

2. The Clearing House is established for the purpose of facilitating daily exchanges and settlements between banks. It shall not either directly or indirectly be used as a means of obtaining payment of any item, charge or claim disputed, or objected to. It is expressly agreed that any bank receiving exchanges through the Clearing House shall have the same rights to return any item, and to refuse to credit any sum which it would have had were the exchanges made directly between the banks concerned, instead of through the Clearing House; and nothing in these or any future rules, and nothing done, or omitted to be done thereunder, and no failure to comply therewith shall deprive a bank of any rights it might have possessed had such rules not been made, to return any item or refuse to credit any sum; and payment through the Clearing House of any item, charge or claim shall not deprive a bank of any right to recover back the amount so paid.

3. The Annual Meeting of the members shall be held on such day in each year, and at such time and place as the members may fix by by-law. Special meetings may be called by the Chairman or Vice-Chairman whenever it may be

deemed necessary, and the Chairman shall call a special meeting whenever requested to do so in writing by three or more members.

4. At any meeting each member may be represented by one or more of its officers, but each bank shall have one vote only.

5. At every Annual Meeting there shall be elected by ballot a Board of Management who shall hold office until the next Annual Meeting, and thereafter until their successors are appointed. They shall have the general oversight and management of the Clearing House. They shall also deal with the expenses of the Clearing House, and the assessments made therefor. In the absence of any member of the Board of Management he may be represented by another officer of the bank of which he is an officer.

6. The Board of Management shall at their first meeting after their appointment elect out of their own number a Chairman, a Vice-Chairman, and a Secretary-Treasurer, who shall perform the duties customarily appertaining to these offices.

The officers so selected shall be respectively the Chairman, Vice-Chairman, and Secretary-Treasurer of the Clearing House.

Should the bank of which the Chairman is an officer be interested in any matter, his powers and duties shall, with respect to such matter, be exercised by the Vice-Chairman, who shall also exercise the Chairman's duties and powers in his absence.

7. Meetings of the Board may be held at such times as the members of the same may determine. A special meeting shall be called by the Secretary-Treasurer on the written requisition of any member of the Clearing House for the consideration of any matter submitted by it, of which meeting 24 hours' notice shall be given, but if such meeting is for action under Rules 15 or 16, it shall be called immediately.

8. The expenses of the Clearing House shall be met by an equal assessment upon the members, to be made by the Board of Management.

9. Any bank may withdraw from the Clearing House by giving notice in writing to the Chairman or Secretary-Treasurer between the hours of 1 and 3 o'clock p.m., and paying its due proportion of expenses and obligations then due. Said retirement to take effect from the close of business of the day on which such notice is given. The other banks shall be promptly notified of such withdrawal.

10. The Board of Management shall arrange with a bank to act as clearing bank for the receipt and disbursement of balances due by and to the various banks, but such bank shall be responsible only for the moneys and funds actually received by it from the debtor banks, and for the distribution of the same amongst the creditor banks, on the presentation of the Clearing House certificates properly discharged. The clearing bank shall give receipts for balances received from the debtor banks. The Board of Management shall also arrange for an officer to act as Manager of the Clearing House from time to time, but not necessarily the same officer each day.

11. The hours for making the exchanges at the Clearing House, for payment of the debit balances to the clearing bank, and for payment out of the balances due the creditor banks, shall be fixed by by-law under clause 17. On completion of the exchanges, the balances due to or by each bank shall be settled and declared by the Clearing House Manager, and if the clearing statements are readjusted under the provisions of these rules, the balances must then be similarly declared settled, and the balances due by debtor banks must be paid into the clearing bank, at or during the hours fixed by by-law as aforesaid, provided that no credit balance, or portion thereof, shall be paid until all debit balances have been received by the clearing bank. At Clearing Houses where balances are payable in money they shall be paid in legal tender notes of large denominations.

At Clearing Houses where balances are payable by draft, should any settlement draft given to the clearing bank not be paid on presentation, the clearing bank shall at once notify in writing all the other banks of such default; and the amount of the unpaid draft shall be repaid to the clearing bank by the banks whose clearances were against the defaulting bank on the day the unpaid draft was drawn, in proportion to such balances. The clearing bank shall collect the unpaid draft, and pay the same to the other banks in the above proportion. It is understood that the clearing bank is to be the agent of the associated banks, and to be liable only for moneys actually received by it.

Should any bank make default in paying to the clearing bank its debit balance, within the time fixed by this rule, such debit balance and interest thereon shall then be paid by the bank so in default to the Chairman of the Clearing House for the time being, and such Chairman and his successor in office from time to time shall be a creditor of and entitled to recover the said debit balance, and interest thereon from the defaulting bank. Such balances, when received by the said Chairman or his successor in office, shall be paid by him to the clearing bank for the benefit of the banks entitled thereto.

12. In order that the clearing statements may not be unnecessarily interfered with, it is agreed that a bank objecting to any item delivered to it through the Clearing House, or to any charge against it in the exchanges of the day, shall, before notifying the Clearing House Manager of the objection, apply to the bank interested for payment of the amount of the item or charge objected to, and such amount shall thereupon be immediately paid to the objecting bank. Should such payment not be made the objecting bank may notify the Clearing House Manager of such objection and non-payment, and he shall thereupon deduct the said amount from the settling sheets of the banks concerned, and re-adjust the clearing statements and declare the correct balances in conformity with the changes so made, provided that such notice shall be given at least half an hour before the earliest hour fixed by by-law, as provided in clause 11, for payment of the balances due to the creditor banks. But notwithstanding that the objecting bank may not have so notified the Clearing House Manager, it shall be the duty under these rules of the bank interested to make such payment on demand therefor being made at any time up to 3 o'clock ; provided, however, that if the objection is based on the absence from the deposit of any parcel or of any cheque or other item entered on the deposit slip, notice of such absence shall have been given to the bank interested before 12 o'clock noon, the whole, however, subject to the provisions of Rule No. 2.

13. All bank notes, cheques, drafts, bills and other items (hereafter referred to as "items") delivered through the Clearing House to a bank in the exchanges of the day, shall be received by such bank as a trustee only, and not as its own property, to be held upon the following trust, namely, upon payment by such bank at the proper hour to the clearing bank of the balance (if any) against it, to retain such items freed from said trust ; and in default of payment of such balance, to return immediately and before 12.30 p.m., the said items unmarked and unmutilated through the Clearing House to the respective banks, and the fact that any item cannot be so returned shall not relieve the bank from the obligation to return

the remaining items, including the amount of the bank's own notes so delivered in trust.

Upon such default and return of said items, each of the other banks shall immediately return all items which may have been received from the bank so in default, or pay the amount thereof to the defaulting bank through the Clearing House. The items returned by the bank in default shall remain the property of the respective banks from which they were received, and the Clearing House Manager shall adjust the settlement of balances anew.

A bank receiving through the Clearing House such items as aforesaid, shall be responsible for the proper carrying out of the trust upon which the same are received as aforesaid, and shall make good to the other banks respectively all loss and damage which may be suffered by the default in carrying out such trust.

14. In the event of any bank receiving exchanges through the Clearing House making default in payment of its debit balance (if any), then in lieu of its returning the items received by it as provided by Rule 13, the Board of Management may require the banks to which the defaulting bank, on an account being taken of the exchanges of the day between it and the other banks, would be a debtor, in proportion to the amounts which, on such accounting, would be respectively due to them, to furnish the Chairman of the Clearing House for the time being with the amount of the balance due by the defaulting bank, and such amount shall be furnished accordingly, and shall be paid by the Chairman to the clearing bank, which shall then pay over to the creditor banks the balances due to them in accordance with Rule 11. The said funds for the Chairman shall be furnished by being deposited in the clearing bank for the purpose aforesaid. The defaulting bank shall repay to the Chairman for the time being, or to his successor in office, the amount of such debit balance and interest thereon, and the said Chairman, and his successor in office, shall be entitled to recover the same from the defaulting bank. Any moneys so recovered shall be held in trust for and deposited in the clearing bank for the benefit of the banks entitled thereto

15. If a bank neglects or refuses to pay its debit balance to the clearing bank, and if such default be made not because of inability to pay, the Board of Management may direct that the exchanges for the day between the defaulting bank and each of the other banks be eliminated from the Clearing House State-

ments, and that the settlements upon such exchanges be made directly between the banks interested, and not through the Clearing House. Upon such direction being given the Clearing House Manager shall comply therewith and adjust the settlement of balances anew, and the settlements of the exchanges so eliminated shall thereupon be made directly between the banks interested.

16. Should any case arise to which, in the opinion of the Board of Management, the foregoing rules are inapplicable, or in which their operation would be inequitable, the Board shall have power at any time to suspend the clearings and settlements of the day; but immediately upon such suspension the Board shall call a meeting of the members of the Clearing House to take such measures as may be necessary.

17. Every Clearing House now existing, or that may hereafter be established, may enact by-laws, rules and regulations for the government of its members, not inconsistent with these rules, and may fix therein among other things :—

1. The name of the Clearing House ;
2. The number of members of the Board of Management and the quorum thereof ;
3. The date, time and place for the Annual Meeting ;
4. The mode of providing for the expenses of the Clearing House ;
5. The hours for making exchanges, and for payment of the balances to or by the clearing bank ;
6. The mode or medium in which balances are to be paid.

Any by-law, rule, or regulation passed or adopted under this clause may be amended at any meeting of the members, provided that not less than two weeks' notice of such meeting, and of the proposed amendments, has been given.

NOTICES

17. Any notice of meeting or any other notice authorized or required to be given to any member of the association shall be deemed sufficiently given, if sent through the post office in a prepaid letter or by hand to the head office of any such member, or to the General Manager or Cashier of such member, and in the case of the Bank of British North America through its chief office in the City of Montreal, addressed to it or its general manager ; and any notice sent by post shall be deemed to have been given on the day following that on which the same was mailed, and in proving the giving of such notice, it shall be

sufficient to prove that the letter was properly prepaid, addressed and mailed.

Any notice authorized or required to be given to any member of the executive council may be sent by the secretary-treasurer by hand, or through the post office, or by telegraph, or in any other manner which the said council may prescribe.

Any notice authorized or required to be given to any associate as such shall be sufficiently given, if given by advertisement once in a newspaper in the cities of Montreal and Toronto.

18. In the foregoing by-laws, unless there be something in the subject or context inconsistent therewith, the words :

"The Association" shall mean "The Canadian Bankers Association," incorporated by Special Act of the Parliament of Canada, (63 and 64 Vict., C. 93.)

"The Executive Council" or "The Council" shall mean "The Executive Council of The Canadian Bankers' Association."

CORRIGENDUM

In the pamphlet copy of the By-Laws recently issued, the word "or" in the sixth line of paragraph 14 of the Clearing House Rules should be "on."

PRIZE ESSAY COMPETITION, 1901

The following subjects have been selected for the next Prize Essay Competitions:

SENIOR COMPETITION

What is likely to be the effect on the Commerce and Trade of Canada of the Industrial Combinations being formed in the United States.

A First Prize of - - - -	$100
A Second Prize of - - - -	60

JUNIOR COMPETITION

What is likely to be the effect of the South African War on the Colonies of the British Empire.

A First Prize of - - - - -	$60
A Second Prize of - - - - -	40

Any Associate is eligible for the Senior Competition.

Competitors eligible for the Junior Competition will comprise all Associates under twenty-five years of age.

The essays in either subject are not to exceed 7,500 words. All essays must be typewritten, having the writer's nom de plume or motto, also typewritten, subscribed thereto, and be mailed not later than the fifteenth day of November, under cover addressed to the President, Canadian Bankers' Association, Montreal.

The address on the envelope containing the essay must be typewritten, and to ensure identification of the essayist a separate sealed envelope, containing the name, rank and place of employment of the competitor, and with his nom de plume or motto on the outside, must accompany the essay.

A special committee will examine the essays and decide the prize winners.

The prize essays will remain the property of the Association.

The envelopes of successful competitors only will be opened except on request.

E. S. CLOUSTON
President

MONTREAL, 20th May, 1901

QUESTIONS ON POINTS OF PRACTICAL INTEREST*

THE Editing Committee are prepared to reply through this column to enquiries of Associates or subscribers from time to time on matters of law or banking practice, under the advice of Counsel where the law is not clearly established.

In order to make this service of additional value the Committee will reply direct by letter where an opinion is desired promptly, in which case stamp should be enclosed.

The questions received since the last issue of the JOURNAL are appended, together with the answers of the Committee:

Acceptance held after maturity by request of prior parties—Protest

QUESTION 415.—An acceptance is by arrangement with the prior parties held for ten days after its maturity without being protested, but at the expiration of that time the drawee is still unable to pay. Is it necessary to then protest the draft in order to avoid releasing the drawer or endorser?

ANSWER.—Assuming the bill to be an inland one, no protest is necessary. Notice of dishonour, to be effective, must be given at maturity, and the holding of the bill by agreement for 10 days does not alter this. If the "arrangement" amounted to a waiver of notice, or an admission of the receipt of notice of dishonour (which it no doubt did) the parties continue liable on the bill whether asked to repay it or not. They would only be discharged from this liability, under ordinary circumstances, by the Statute of Limitations (or payment).

Note with endorsement of third party placed thereon before endorsement of payee—Liability of former to holder in due course

QUESTION 416.—A promissory note has been endorsed by John Smith before John Brown, the payee, has endorsed it. Subsequently the payee endorses it. Can John Smith be made liable as an endorser or otherwise by a bona fide holder for value?

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*For blank form for questions, see last page

Answer.—We think that Smith would be liable to a holder in due course. The point is substantially the same as that dealt with by the Ontario Court of Appeal in *Duthie vs. Essery*, reported at page 205, Volume III, of the Journal.

Power of Attorney without the signature of a witness

Question 417.—The form of Power of Attorney used by banks when sending advice of drafts to parties living out of town to enable the bank officers to accept, usually provides for a witness. If the form is returned without the signature of a witness, is it materially incomplete?

Answer.—The Power of Attorney does not require the signature of a witness to make it effective. In its absence the difficulty of proving the genuineness of the instrument in case of dispute is increased, but that is the only disadvantage.

Trust Deposits—Withdrawal by one of two Trustees

Question 418.—Are we to understand from sub-section 2, section 84, Bank Act, that a deposit in the names of two parties can be withdrawn by one of them? If one of the depositors died would not his legal representatives have to join with the survivor in order that the Bank might properly pay over the money?

Answer.—The section quoted refers to trust deposits, and its terms would seem wide enough to protect the bank in paying such a trust deposit to one of two Trustees. We have, however, hitherto expressed the view that it is not altogether wise to rely on the protection of this section of the Bank Act, and we do not think that it is the practice of banks to accept a receipt of one Trustee in such cases. If, however, one trustee is dead, it is quite clear that the surviving trustee has entire control, and that the legal representative has no rights, so far as the Bank is concerned.

Note endorsed by B "without recourse"—Suit brought in name of B by subsequent holder

Question 419.—A gives note to B, who endorses "Without Recourse" and passes same to C for value received. C sues in name of B without being a party to suit. Can B legally recover amount of note?

Answer.—B is not the holder of the note. Having endorsed without recourse, he is not liable upon it. He has no interest in it. He has not possession of it. It was not handed over to him for suit on behalf of the holder. The action brought by C in the name of B is wrongly constituted, and should not succeed.

Note with two makers, one being in fact a surety—Right of surety to compel suit

QUESTION 420.—C and Company hold a joint note of A and B, which is dishonored. Can B, who is in fact a surety for A, compel the holders to sue A for the amount?

ANSWER.—Yes, if the holder will not accept the amount from the surety and put him in a position to sue the principal debtor, the surety can compel the holder to sue.

Stop payment of a cheque—Subsequent negotiation by third party in good faith

QUESTION 421.—A issues a cheque payable to B or order, and subsequently stops payment of the same. The cheque is negotiated to C, who does not know of payment having been stopped.

The cheque having been dishonored, is C entitled to recover the amount from A, the drawer of the cheque.

ANSWER.—The holder's position in this case is precisely the same as that of the holder of any negotiable Bill of Exchange. If notice of dishonor has been given he can sue both the drawer and the endorser.

Cheque payable to "James Smith, Overseer," endorsed "James Smith"

QUESTION 422.—(1) With reference to your reply to Question 368, is a bank justified in returning as not properly endorsed a cheque which is payable to "James Smith, Overseer" and endorsed simply "James Smith"?

Your answer to the question above referred to, indicates that such an endorsement is sufficient. Should the principle involved be generally accepted, and the endorsement stamp of the depositing bank be accepted as a sufficient guarantee to the paying bank in such cases?

ANSWER.—It seems to be the practice in England to treat such endorsements as incorrect, but we are advised that they are sufficient, and consequently we can only say that we think a bank would not be justified in returning the cheque described merely because the word "overseer" has been omitted from the endorsement.

We are of opinion that so long as the endorsement on an item is such that (assuming it to have been put on by the payee or endorsee) it constitutes a valid discharge, it should be accepted without question from the depositing bank, which would, in such a case, be responsible if the endorsement proved to be defective.

Cheque endorsed by presenting bank, "Deposited to Credit of ——" (payee)

QUESTION 423.—Is a bank justified in refusing payment of a cheque which is not endorsed by the payee, but has been endorsed by the payee's bank as follows:

"Deposited to credit of (payee), A. B., Manager," such an endorsement being guaranteed by the depositing bank?

ANSWER.--This is not A B's endorsement, and the practice is open to objections, but an item would usually be paid on such an endorsement and guarantee. The drawee bank would, however, be quite justified in refusing it.

Security under Sec. 74 of the Bank Act—Written promise to give security

QUESTION 424.—In the fall of the year a firm of lumbermen make application to a bank for advances to be made during the ensuing winter, to enable them to carry on lumbering operations.

The firm sign a written request, addressed to the bank, which reads, in effect, as follows:

"We request you to advance us such money as may be "necessary to enable us to get out about ten million feet of "lumber during the season 1900-1901; in consideration of the "advances so to be made, we agree to give you security upon the "logs or timber or the product thereof, and to furnish you, upon "demand, with a cove-receipt therefor, or other security under "the Bank Act."

At the time that this request is made, no money is advanced.

During the winter, notes of the firm are discounted by the bank, and at different times during the season, as logs are drawn on to the shores of a certain lake, cove receipts and security under section 74 of the Bank Act are given.

At the time the notes are negotiated there is no delivery of the security, or written promise.

The written promise is anterior to any advance. The cove receipts are not contemporaneous with the negotiation of the notes, but subsequent.

Is this method of procedure within the provisions of sections 73, 74 and 75 of the Bank Act.

ANSWER.—The form, although somewhat general in its terms, would, we think, be sufficient to support the after acquisition of the security mentioned in it. The logs or timber which could be taken as security would be limited to the 10,000,000 feet of lumber or thereabouts "got out" by the customers during the season of 1900-1901, and the debt for which the security might be taken would be limited to advances made within the terms of the promise.

There is no difficulty on any of the points of procedure which you have mentioned; they are all quite in order. The only questions which the form of promise would give rise to are the above mentioned: the debt for which, and the property on which, security may be taken. The promise might be clearer on both points, but its meaning is probably not open to dispute.

Note given by trading firm—Obligations of the firm and the partners individually

Question 425.—Two partners in a trading firm wish to borrow a sum for use in their business, and give the Bank a promissory note signed by both individually and made payable to the order of the Bank. Would it afford the Bank any greater security to have the note made to the order of the firm and endorsed by the firm to the Bank?

Answer.—We assume the note is given by the parties jointly and not jointly and severally. If the two partners who give the note constitute the firm, their joint promise to pay gives the Bank the same recourse as if the note were signed in the firm's name, but not a claim which, in the event of bankruptcy, would rank on their individual estates in competition with their individual creditors. If there were other partners the Bank's position as holder of a note signed by two only would not be satisfactory, as it is not the obligation of the firm.

It is customary to require the note in such a case to be made by the firm and endorsed by the partners individually, and such a practice has undoubted advantages.

Bill accepted by an attorney—Right of paying bank to require the lodgment of the power of attorney

Question 426.—Your answer to question No. 413 seems rather equivocal, in that after saying yes, you seem to qualify that by what follows which no one would question, because the "written evidence" might readily be a certified copy. The vital point is the surrender by the attorney of all evidence of his authority to use another's name, under circumstances in which such evidence of the existence of such authority might easily be destroyed. What if his power to use the name of another were challenged? It seems to me that circumstances might readily arise in which it might be requisite that the power of attorney should be produced by the person using it,—if on behalf of the bank as one of its officers all the more so—and his inability to do so might prove exceedingly awkward, if only to prove his *bona fides*—as in the case of a forgery for instance. The paying bank has recourse against the presenting bank in any event, which fully secures them, and in paying the item, I cannot see that they pledge themselves in any way as regards the power of attorney, payment being made because of a right of recourse against the presenting bank, so far as that power is concerned.

ANSWER.—The answer is not, we think, equivocal, as a certified copy is not "written evidence," but the point you raise is an important one.

We think that where a bank pays an obligation entered into by a customer through an attorney, it is entitled to have lodged with it the evidence of that attorney's authority, unless this evidence is lodged in an office of public record, as for instance a Registry office in Ontario, or a Notary's office in Quebec, and a copy certified by the official custodian, under his seal of office, furnished instead.

The bank is not ordinarily bound to pay its customer's acceptances although it may do so and charge the customer. If, therefore, the acceptance is signed by an attorney whose authority is not lodged with the bank, the bank has the remedy in its own hands.

If there should be a case where the bank has assumed the duty and obligation of paying the customer's acceptances when it has funds, then difficulty might arise. The acceptance might be made by an attorney who declines, for causes which may be quite reasonable, to lodge the power with the bank. The bank in such cases would probably be bound to pay the acceptance and preserve such evidence of the existence of the power in the attorney's hands which might be necessary. No doubt a bank which had this responsibility imposed on it would decline to continue the account.

As regards the necessity for the attorney to retain for his own protection the evidence that he was entitled to sign, while there may be something in this the point does not seem to us important. The existence of the authority is likely to be known to several persons and its loss would therefore not entail serious consequences. On the other hand, if the paying bank is not in a position to prove its existence, it is in case of dispute in a very unsatisfactory position. It cannot charge its customer with an unauthorized payment, nor can it recover the amount back from the bank to which the item was paid, unless it could be set up that the bank obtained payment on a representation as to the attorney's authority.

On the whole, the practice of attaching a power to the draft seems the proper one to follow.

Warehouse receipts for goods in bond

QUESTION 427.—In your reply to question 410 you say that "no doubt it would be practicable in some way to get security" for goods in bond, but that it cannot be by way of warehouse receipt. Would you indicate in what way you think this could be done?

Answer.—With reference to the above it seems clear that advances on the security of Warehouse Receipts for goods in bond are in a somewhat precarious position. There is, however, this to be said: That as between the warehouseman and the merchant, the Warehouse Receipt might be held good, and that while not under the Act a Warehouse Receipt which a Bank could acquire under section 73, it might possibly acquire the Receipt as collateral security under section 68 as for a debt already contracted; but in Ontario questions would arise not only under the Bank Act, but also under the Chattel Mortgage Act.

There is no difficulty in the matter of goods in bond, in cases where security can be taken under section 74. An assignment in accordance with Schedule "C" would be quite good whether the stuff is in bond or not, assuming it to be right in other respects.

Warehouse Receipts, Assignments, and Chattel Mortgages

Question 428.—(1) Section 74 of the Bank Act appears to deal only with wholesale manufacturers, wholesale purchasers or shippers. Can a bank take from others security of the same kind and upon similar terms as if a private person were making the advance? (2) Can a bank take security of a different kind than that mentioned in Sec. 75 from the class dealt with by Sec. 74, *i.e.*, wholesalers, etc.? (3) Can a bank take security in the form prescribed in Sec. 73 from persons who are not wholesalers or shippers? (4) Can a bank take security for future advances from wholesalers, etc., in the form of a chattel mortgage? (5) Need a bank register chattel mortgages for protection against other creditors?

Answer.—(1) A bank cannot take security such as that described in section 74, except from persons that come within the descriptions contained in the first and second clauses.

(2) (3) A bank can take security under section 73 or section 68 from *any* debtor, whether he comes under the descriptions in section 74 or not.

(4) A bank cannot take security by way of chattel mortgage for future advances, except possibly as suggested below.

(5) A bank's rights under chattel mortgage are precisely the same as the rights of other parties, and they must register securities if they are to be good against other creditors.

It is probable that the security taken under section 74 might be in the form of a chattel mortgage. On this point we think the view expressed in *La Banque d'Hochelaga vs. Mer-*

chants Bank of Canada case, referred to on page 382, volume II of the JOURNAL, is sound:

"I agree with the contentions of the plaintiff's counsel that in lending money to the classes of persons and upon the security of the goods mentioned in s. 74, the bank is not limited to taking security in the form set out in the schedule, but may take it in any manner known to the law. The section is directed chiefly to transactions of a certain nature. It occurs among a number of provisions defining the powers of banks and the nature of the business which they may transact. There was in the more general section (64) a qualified prohibition against lending upon such security, and s. 74 empowers the bank to lend to certain persons upon certain security otherwise prohibited by s. 64. The clause as to the form is permissive only, and was probably designed for the convenience of bankers, that they might draw up such securities for themselves without a solicitor's assistance, and feel that a long mortgage was unnecessary. That clause, cannot, I think, control the general enabling powers contained in the earlier portions of the section. It is true that I interpret s. 64 as meaning that, except as authorized by the Act, a bank shall not lend on certain security. But this has to do with the substance and not with the forms of transactions, and if no form were authorized it could not be said that the earlier part of s. 74 would be inoperative."

It should, however, be said that expressions made use of elsewhere, where the point was not directly involved, indicate that there may be a difference of opinion in the courts respecting this matter.

Cheque crossed by payee bank payable at par at a branch of another bank

QUESTION 429.—A customer of a bank at St. Hyacinthe, which has not a branch in Montreal, presents his cheque on the St. Hyacinthe Bank, which the latter at his request stamps "payable at par at the Merchants Bank of Canada, Montreal," adding thereto the initials of one of its officers. Would the St. Hyacinthe bank be bound to honor the cheque if presented either by the Merchants Bank of Canada or the party to whom the cheque was sent?

ANSWER.—It would seem clear to us that if the Merchants Bank should cash the draft on such a crossing they would be entitled to look to the St. Hyacinthe bank for its payment, not on the ground that the cheque was accepted or marked good, but on the ground that the drawee bank had requested them to pay the cheque on its behalf. The stamp and initials, we think, constitute such a request.

The position of the party to whom the cheque was sent is somewhat difficult, and we should hesitate to say without further consideration that the St. Hyacinthe bank would be bound to pay the cheque to him, although it would seem reasonable to have the bank responsible to this extent in view of what they had placed upon the cheque.

Bill of Lading obtained from a carrier by fraud and held by a third party as security for an advance

Question 430.—Where a Bill of Lading issued by a public carrier to the order of a shipper, signed by the usual officer, is obtained by fraud, can the carrier defend the claim of an innocent holder who has made an advance against the same by contending that their clerk exceeded his authority in giving a receipt for goods that do not exist?

Answer.—Under the circumstances stated in the question, the carrier would have a good defence to an action by the innocent holder of a Bill of Lading. The case of *Erb v. Great Western Railway Company*, reported in *5 Supreme Court Reports, page 149*, is directly in point. The Court, (two judges dissenting) held that a railway agent giving a fraudulent Bill of Lading for goods not received by him was acting outside the scope of his employment, and that his action therefore did not bind the company.

For the present the point must be taken to be definitely settled by authority, although the views of the Judges who decided the above case have been the subject of much adverse criticism among lawyers.

Since the above case was decided the House of Lords has held that even where there is no fraud, and only a mistake on the part of a master of a ship in signing a Bill of Lading for a stated quantity of goods, the owner, in the event of shortage, can relieve himself of his liability to the extent of the value of the goods which he is able to show were never delivered to the master. *Smith v. Bedouin Steamship Company, 1896, Appeal Cases, 70.*

Security under Sec. 74 of the Bank Act, taken from a wholesale manufacturer and wholesale and retail dealer in Cigars

Question 431.—(1) Can a bank make advances to a wholesale dealer in tobacco and cigars, who is also a manufacturer of cigars, under Section 74 of the Bank Act and amendments?

(2) How would you answer the above question if the party was, besides being a wholesale dealer and manufacturer, a retailer of tobacco and cigars?

Answer.—(1) If he is a "wholesale manufacturer" of cigars a bank can under the first clause of Section 74 make him advances on the security of the cigars manufactured by him, or of the goods, etc., which he has procured for the purpose of manufacturing cigars. If he is a "wholesale dealer" in tobacco in its unmanufactured state he would be a dealer in products of agriculture under Sub-section 2, and could give security on such products.

(2) The fact that he is a retailer as well as a manufacturer and wholesale dealer would not affect the question, but he could not give security on the stock bought for his retail business.

Renewal of a joint and several note, the old note being retained

Question 432.—A bank accepts a renewal of a joint and several note with one of the original names dropped, but retaining the original note. Further renewals of the same kind are afterwards taken. In the event of the bill being finally dishonored, can the bank sue on the original note ?

Answer.—The answer depends upon the intention of the parties, which is a question of fact. The fact that the bank retained the original note undischarged suggests that the parties intended that the bank's rights upon it should remain, and if there were nothing to displace this the finding would probably be in this direction ; but these questions of fact generally depend upon various surrounding circumstances, and each case must be judged by itself.

Security under Sec. 74, Bank Act, on "all" the goods in a particular place

Question 433.—The security under Section 74 which we have taken from our customers reads :

"All the lumber in our yard situated on Victoria Street, and "also that in our yard on Peter Street."

There is a very great deal more lumber than is necessary to cover the advance. Would such security be good against other creditors ? Is it not defective inasmuch as it does not mention any quantity, and could not the debtor sell practically all the lumber in each yard and still be within the law ?

Answer.—We do not think the description is defective. (See Mr. Lash's article on "Warehouse Receipts, Bills of Lading and Securities under Section 74," page 54, volume II of the Journal). The security would be good against creditors if otherwise properly taken. The fact that there is a great deal more lumber than is necessary to cover the advance does not affect this question. The absence of a reference to the quantity does not enable the debtor to sell any part of the lumber assigned. The effect of the assignment is to vest in the bank the ownership of the lumber as it was at the time the assignment was given, and the customer would have no right to remove any lumber thereafter without the bank's consent.

The par of Exchange

QUESTION 434.—The par value of one pound (£1) is 9½ or, four dollars and eighty-six ⅔ cents ($4.86⅔).

How do we arrive at 9½, and what has it relation to?

ANSWER. See article entitled "Origin of the Par of 9½," page 368, volume II of the JOURNAL.

Bill Accepted under Power of Attorney—Right of Bank to retain the Power of Attorney

QUESTION 435.--A bill accepted by the manager of Bank B under power of attorney from drawee is returned to Bank A unpaid, Bank B retaining the power of attorney. Bank A being compelled to sue, requests Bank B to forward the power of attorney to attach to the acceptance. Bank B refuses, on the ground that they must retain it for their protection, to prove the authority of their manager to accept the bill, but admits it may have to be produced in court. Bank A contends that they, being compelled to recover the amount, should be in possession of the proof of acceptance, and that the power of attorney should naturally accompany the bill. Is Bank A entitled to receive it?

ANSWER.—We think it is quite clear that the bank which has acted on the power of attorney to accept is within its strict rights in retaining the document, but we also think that in adhering to its strict rights in such a case as you mention, when the other party concerned is a chartered bank, it is adopting a course which gives both banks needless trouble. We are not aware what the general practice is, but will invite information on this subject from the Associates.

The attorney would of course have to appear in court if necessary to prove his right to accept, and as the collecting bank would probably be liable for the bill if the regularity of the acceptance were not provable, they are of course as much interested in proving it as the bank which owns the bill.

We think that as a matter of practice it is best that the power of attorney should be filed at the bank at which the bill is accepted, but that it should at once send this document to the bank owning the bill if it ever has to take legal proceedings.

Section 74, Bank Act—Advances on assignments and warehonse receipts cleared off from proceeds of bills of exchange negotiated by the bank and representing a sale of the goods held as security

QUESTION 436.—A customer, who is a produce dealer and warehouseman, has advances secured by assignments under section 74, and by warehouse receipts given by other warehousemen. He sells us certain bills of exchange on English houses, these being secured by warehouse receipts (his own and others), which are to be retained here by us until the goods are ordered forward by drawees. Out of the proceeds or purchase price of the bills he pays off his advances.

When the goods are ordered forward by the drawees we are to exchange the warehouse receipts for the bills of lading, and send them on to be surrendered on payment of the drafts. We hold a written promise from our customer that he will give security under section 74, or by transferring to us warehouse receipts or bills of lading for any advances we make him.

(1) Seeing that new money for the bills of exchange does not pass from us to him, except by way of credit on a previous indebtedness, are the warehouse receipts attached thereto validly acquired, apart from the written promise?

(2) Is the party's own warehouse receipt a valid security, and if not, are we under any obligation to the drawees in respect thereto?

(3) Would the bills of lading received in exchange for the warehouse receipts be validly acquired?

ANSWER.—(1) The question assumes that the bills were sold to the bank. If so, the rights of the bank are limited to its rights as holders of these bills, and of the security with them. We think there is no doubt that the securities would in such case be validly acquired. The purchase of a bill of exchange drawn by a customer on another party, with documents attached, is a new transaction, notwithstanding that the proceeds of the draft are used to pay off a previous indebtedness.

(2) Under the Bank Act a warehouse receipt must be given by a person not the owner of the goods. The customer's own receipt, therefore, covering his own goods, would not be a valid security in the hands of the bank. The bank would not, however, be under any obligation to the drawees with respect to the security, unless it should make a statement or representation which might be held to amount to a warranty, or unless there were fraud on the part of the bank.

(3) The bills of lading received in exchange for the valid warehouse receipts would be validly acquired, but we do not think that sub-section 2 of section 75 could be relied on in so far as the bill of lading is substituted for an invalid warehouse receipt. As regards the latter, the bank's rights depend on the written promise referred to. If this is sufficient to cover the acquisition of the bill of lading after the negotiation of the bill of exchange, it would no doubt be a valid security in the hands of the bank.

Legal

LEGAL DECISIONS AFFECTING BANKERS

High Court of Justice, England

Richards v. Bank of England*

Notes of the Bank of England which had been stolen were presented for payment by a person who had obtained them through an unfair gaming transaction.

Held, that he could not enforce payment.

This was an action brought by Westley Richards, a bookmaker and commission agent, residing at 3 Stonefield street, Islington, to recover from the Bank of England, £300, the value of three £100 notes which were presented to the Bank for payment and which the Bank refused to cash. The notes in question were three of the £100 notes stolen from Parr's Bank in January, 1898.

Mr. Crispe, K.C., Mr. Overend, and Mr. H. A. G. Bohn appeared for the plaintiff; and Mr. Bray, K.C., and Mr. S. A. T. Rowlatt were Counsel for the Bank of England.

Mr. Crispe, in opening the case, said that the notes in question, of which payment had been refused, were part of the proceeds of the robbery which took place at Parr's Bank in January, 1898, when £60,000 of notes were stolen by a clerk named Goss, who was subsequently tried and convicted and was now undergoing a term of penal servitude. The defence which counsel concluded would be put forward on the part of the Bank of England, was that the plaintiff was not an innocent holder of these three notes. Various legal points would arise in the case, and he desired to point out to the jury that a Bank of England note was in the form of a promissory note, but it was a much more important document than a promissory note. It was a note which had been issued by statute and was part of the currency of this country. It had originally been given in exchange for bullion, and any person who presented a bank-note at the Bank of England was entitled to receive gold in exchange. A bank-note was a legal tender; and unless there had been some alteration on the face of the note or there had been circumstances of such a character as to taint the note in the possession of the holder, the holder was entitled to be paid its value. In this case the plaintiff, Mr. Westley Richards, in the pursuit of his avocation on April 27th, 1899, attended the Spring Meeting at Newmarket. He entered what was called the Ten Shilling or Middle Ring, and there he saw two highly respected members of the Turf, Mr. Laburnum and Mr. Albert Marks. He observed Laburnum betting with a man whom he described as a "little swell with restless eyes," who appeared to be in possession of plenty of banknotes. This man was Goss, who was a clerk in Parr's Bank, and who had stolen the £60,000 of notes. Goss gave his name as Corbett, and the plaintiff thought he would like to make some bets with him. Goss, or Corbett, was no doubt desirous of getting rid of his worthless notes and getting good ones or hard cash in their place. Richards entered into conversation with Corbett, and pointed out to him that he appeared to be betting in a reckless way. They then had a drink together, and Corbett said he wished to back certain horses in the next race, and he gave the plaintiff two £100 notes. Corbett lost, and so two of these notes came into the possession of the plaintiff. Both those notes were handed to Richards in the presence of Laburnum and of Marks. With regard to the third note, after the race was over and Corbett had lost his money, Richards asked him if he was coming down to Newmarket the next day. He said he was not, as he was going to Shropshire, where he did in fact go, and whence he afterwards quietly returned to his work at the bank. Richards had been very busy on that day at Newmarket, and he came up to London by the first special train and went to a restaurant in Bishopsgate street, where racing men meet to settle their accounts. He met there a man named Casey, and from him he received the third £100 note, which he could not at that time change, but which he arranged to change next day. The following day he went to Mr. Westerby's, a tailor in the Strand, to whom he owed an account, and sought to change it. Mr. Westerby sent the note round to Coutts's, who returned it because it was not endorsed. Mr. Westerby endorsed the note, and then Mr. Richards proposed that the other two notes should be changed at the same time. They, however, were not endorsed, and subsequently Mr. Richards and Mr. Metcalfe went to the Bank of England. Mr. Metcalfe presented a £100 note, and Mr. Richards presented the other two notes. Richards was asked to endorse them, and he wrote his name, H. Richards—the name by which he was known on the Turf. There was some hesitation about payment, and Richards was asked to go into the Bank parlour, where he found Metcalfe under detention. He was then informed that the notes had been stolen, and he was charged with feloniously receiving them. The charge came before Alderman Newton, and Richards was remanded and taken to the cells at Cloak Lane. In the meantime Inspector Davidson came to see him, and what took place at that interview between them was important. Next day he was taken to the Mansion House, and there were remands which extended over five hearings, and then on June 6th Mr. Davidson gave his evidence, and Mr. Richards was discharged. Those were the facts, and, with regard to the legal position, counsel contended that the Bank of England was bound to exchange for cash its notes in the hands of an innocent holder; and that notwithstanding the provisions of the Gaming Acts, the agreement in consideration of which the notes in question were handed to the plaintiff was not an illegal agreement, but merely a void one, and the plaintiff was entitled to recover. He referred to "*Bridges v. Savage*" (15 Q.B.D., 307) and "*Strachan v. the Universal Stock Exchange*" (1895, 2 Q.B., 699).

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* *Journal of the Institute of Bankers.*

Mr. Westley Richards, the plaintiff, in answer to Mr. Crispe, said he had been known on the Turf for twenty years. He was present at the Second Spring Meeting at Newmarket in April, 1899. He saw Mr. Albert Marks and Mr. Laburnum in the Middle or Ten Shilling Ring, and observed the latter pay a man £137 over a horse called Newhaven. The man gave his name as Corbett. He made two other bets with Marks, backing four horses out of five runners in the race. Witness spoke to Corbett, and pointed out to him he was very rash, as, though he had backed the winner, yet he had lost money on the race. Corbett said he wanted to back a horse called Wolf, and witness said he would lay him 500 to 200 about the horse, but Corbett said it was too much. Bets, however, were made in regard to Wolf and another horse called Palmy, and if neither of the horses won Corbett stood to lose £200. Corbett did lose, and handed witness two £100 notes. Corbett described himself as an egg merchant from Epsom, and wrote his name down as E. Corbett on the plaintiff's racing card. In the course of the day plaintiff made other bets in the minor rings, but no more with Corbett. After the racing was over he asked Corbett if he was coming down the next day (Friday). He replied he would not come on the following day as he was going into Shropshire that night. Witness had never seen him since until this morning in Court. After the races were over witness returned to London, arriving about 7.30. He went to a restaurant, which was a rendezvous for racing men, for dinner. A man named Casey came in. Witness had employed him during the day to back some horses for him, and Casey had a balance of £37 to bring to him. Casey tendered a £100 note and asked for the balance. Witness had not sufficient, and Casey left the £100 with him. Witness arranged to meet

Casey at the Gaiety restaurant at 12 next day to pay the balance. He went there with the three £100 notes, and then went to Mr. Westerby, and, as he owed him a small account, he tendered him a £100 note and asked him to cash it. Mr. Westerby sent a man named Metcalfe with the note to Coutts's, and he subsequently brought it back for Mr. Westerby to endorse. He did so. Witness suggested that as he was changing the one note he might send the other two to Coutts's as well. The other two notes were not endorsed, and the clerk at Coutts's said endorsement was necessary. He therefore suggested to witness that he should tender the notes at the Burlington Street branch of the Bank of England. Witness and Metcalfe, the latter with the notes in his possession, went there, and they were told that as that branch was not the place of issue they had better go to the Bank of England itself. They then proceeded to the Bank of England, and Metcalfe handed to the witness two of the notes, retaining one. Metcalfe went in first while witness was paying the cabman. He followed and tendered the two notes. He was asked by the cashier to endorse them, and he wrote on the back of one of them H. Richards, 3 Stonefield Street, N., where he had lived for four years and was still residing. His name was "Westley," but he put "H. Richards" as he was known as "Harry" on the Turf. Up to that moment he had no suspicion whatever in regard to these notes. The clerk said there was something wrong about the notes which required an explanation, and witness was asked to go into the secretary's office. There he found Metcalfe, and two inspectors came in. Inspector Outram spoke to him, and said he understood that he had given Metcalfe a £100 note in payment of an account. Witness replied that that was so. The inspector then said that the notes were part of the proceeds of a bank robbery. Witness said he knew nothing about that, but wished to give them every facility to clear up the matter. He was taken to the Old Jewry Police Station, and saw several persons. He told the whole story as to his obtaining possession of the notes, and gave a minute description of the man from whom he got them. He was subsequently taken to the Cloak Lane Police Station, and was charged, and he said he should like to be taken to Parr's Bank, for he believed the man was there, as he had the appearance of being a bank clerk.

Cross-examined by Mr. BRAY, the plaintiff said that his real name was Westley Richards. Richards was the name of his parents, and he was born at Bradford, in Wiltshire, in 1854. He had had a shop in the name of Long, and had been convicted of larceny in that name. His shop had been a wardrobe shop, and as the previous occupant's name was Long he had continued it. He took to the Turf 25 years ago, and was employed as a commission agent to back horses both by bookmakers and backers. On the day in question he took down £40 or £50 with him to Newmarket. His bet with Corbett might have involved the loss of £200. The witness was closely cross-examined as to his betting transactions during the day, and he said he kept no betting-books and there was nothing beyond his word to show he had made the bets he had deposed to. He did not think Corbett knew much about racing, nor did he believe his statement that he was an egg merchant.

Mr. BRAY.—Of course you had heard of the robbery at Parr's Bank?

Witness—Yes, I had heard of it.

Mr. BRAY—How many £100 notes had you seen Corbett pass before you bet with him?

Witness—Two—to Laburnum and Marks.

Mr. BRAY—Did not a man—who you say looked like a clerk —with four £100 notes excite your suspicion?

Witness—No, my suspicions were not aroused at all.

Continuing, the witness said that after his arrest he had heard that Corbett had lost money by the three card trick. He did not tell Mr. Davidson that Corbett had lost money through card-sharping, or that he had a lot of notes in his possession, and that he (witness) went after him and got two off him by betting. Witness contradicted Mr. Davidson's version of the interview between them. Nobody introduced Corbett to witness. The £200 was paid before the race. Witness usually went to Newmarket, but he did not go on the Friday because he had the money matter to settle up. He was in no desperate hurry to change the notes. He did not say he thought they were "wrong ones."

Re-examined—Witness was working in with another bookmaker, and so would have had no difficulty in paying Corbett if he had lost. He had no dealings that day with any of the outside public except Corbett. It was quite an ordinary occurrence to see persons betting in £100 notes.

By the JUDGE—Witness had kept a refreshment house before he went on to the Turf, and before that was articled to a surveyor and auctioneer. He had learnt shorthand. The shorthand notes he had made on his racing card had reference to his expenses.

By a juryman—His banking account was at the Charing Cross Bank, and was in the name of Harry Richards.

At this stage of the case the Court adjourned.

Mr. CRISPE stated that he had a medical certificate that the man Casey was confined to his bed with an attack of rheumatic gout, and would be unable to attend to give evidence.

Albert Marks, examined by Mr. OVEREND, said he was a bookmaker, and he was at the second spring meeting at Newmarket in 1899. A gentleman came up to him and made a bet of £100. As it was a large amount witness asked him for his name and understood it to be Corbett. He put £50 on two horses and gave witness a £100 note. He did not back the winner, and witness kept the note. He parted with the note subsequently to another gentleman, Mr. Astley———

Mr. BRAY: We enquired into that matter, and as we found it was a perfectly honest transaction that note was paid.

Continuing his evidence, witness said he was unable to say whether any betting transaction took place between Corbett and the plaintiff.

Cross-examined by Mr. BRAY: In the ordinary course of business witness would give a ticket to a stranger who made a bet with him. He always entered every bet he made in his book. He knew nothing about Mr. Richards, nor whether he was a member of the Albert Club.

Harry Laburnum, also a bookmaker, who was present at the meeting at Newmarket on April 27th, 1899, said he remembered a gentleman's coming to him and asking the price of Newhaven and Golden Bridge. He put £50 on each and paid witness a £100 note. Newhaven won, and witness paid him £137, giving him back the £100 note and the rest in small notes and gold. Witness saw Richards and observed the man who had betted with him (Corbett) talking to him. He did not see any note pass between them, but they appeared to be having some transaction.

Wm. Metcalfe, formerly clerk to Mr. Westerby, tailor in the Strand, said he knew Richards as a customer. He remembered his coming with a £100 note, which witness took to Coutts's. He brought it back for Mr. Westerby's endorsement, and then went with Richards to Coutts's to change the three £100 notes. The clerk at the bank suggested that he should take the notes to the Bank of England. Witness and Richards went to the Burlington street branch, and thence they were referred to the head office. They drove to the Bank of England, and witness went in first; he presented one note and his business card. He was then invited to go into the Bank parlor. Richards followed soon afterwards. There were two detectives in the room, and witness stated that he had received the note in payment of an account owing by Richards. Witness was taken to the police station and subsequently released. Witness knew Richards as dealing in jewellery and as a betting man.

Cross-examined—Witness had bought jewellery from Richards, who was a friend of his.

Mr. BRAY, on the part of the defendants, submitted that there was no case to go to the jury, on the ground that there was no valuable consideration given for these notes.

Mr. Justice Phillimore: We agreed that it would be convenient to take the opinion of the jury as to the *bonâ fides* of these transactions. The question would be whether these were fair and honest bets.

Mr. Bray then addressed the jury for the defendants, and pointed out that it was incumbent on the plaintiff to show that he gave "value" for these notes in good faith. They might assume that an honest and fair bet would be "value." Was there a fair and honest bet in this case? He should call the convict Goss, and the jury would hear what took place. Goss went down to Newmarket, taking with him some of these stolen £100 notes, and on the way was fleeced of several of them over the three-card trick. Richards discovered this man at Newmarket, and saw he knew absolutely nothing about racing, and was determined to get something out of him. One would have supposed that the bookmaker would have made a note of his bets. Richards had nothing to show in respect of what horses' bets were made with Goss. There was nothing but Richard's word to be relied on, and counsel contended that his word was not worth much. He was not a bookmaker of any known reputation. If Richards had lost on these transactions he would have been unable to pay, and could it be said in such circumstances that these bets, if made, were fair and honest bets? Goss went home by rail and was fleeced again. Casey was his partner in the three-card trick business. It was perfectly obvious why Casey did not come here to give evidence. Goss paid the £100 note to someone and left the train. Richards knew Casey had obtained that note by dishonest means, and he was not entitled to recover its value. The question was whether Parr's Bank, the owner of these notes, was to lose them because they were obtained possession of in the way which had been described.

Detective Inspector John Davidson said that on April 28th, 1899, he went and saw the plaintiff, Richards, at the old Jewry, and he made a statement to him. He made a note of what took place before the first hearing of the charge against Richards. Richards said he had won the notes from a young man named Corbett, at Newmarket. He observed that the man knew nothing about racing, and, seeing he was a fool, he got into conversation with him. He then made a bet, and Corbett gave him one £100 note. He made another bet, and Corbett said he did not want it, but he told him he must have it as he (Richards) had taken it for him. Corbett then gave him the second note. Witness then asked Richards for an explanation of how he got the third note. Richards told him that he did not set himself up as a paragon of virtue, and that the young man had lost money over the three-card trick, and the third £100 note was handed to him (Richards) to change.

Cross-examined by Mr. CRISPE: Witness saw Richards twice at the Old Jewry. He had been to many race meetings and knew what card-sharping meant. He did not give evidence at the hearing before Alderman Newton, as it was unnecessary.

Mr. CRISPE: Did you not think Richard's confession important?

MR. JUSTICE PHILLIMORE: That is not the right word. It was an explanation. The plaintiff was discharging himself of a suggestion of larceny.

Continuing, the witness said the prosecution was conducted by the Bankers' Protection Association, and they called what witnesses they chose. He was ready to give evidence if called on. Witness assumed that the card-playing was card-sharping. He understood that Richards was present in the carriage at the time. The first he heard of Richard's present story as to receiving the third note in the Bishopsgate Street Restaurant was yesterday. He understood also that Goss lost the money going down to Newmarket.

A juryman (interposing): Would it not be advisable, my Lord, that Goss should be out of Court while this evidence is being given.

MR. JUSTICE PHILLIMORE: I think your suggestion is a proper one. Let Goss be removed.

Goss then withdrew from the Court in the company of two warders.

Further cross-examined, Inspector Davidson said he saw Goss after his conviction at Wormwood Scrubbs. He did not go for the purposes of this case. That was on September 27th last. Witness could not say for certain when he made a note of the interview with Richards. He was endeavouring to ascertain whether Westley Richards' explanation as to his possession of the notes was true.

Charles Edward Goss, examined by Mr. BRAY, said he was formerly a clerk in Parr's Bank, and was now undergoing seven years' penal servitude for the bank robbery. He remembered going to Newmarket. He had ten £100 notes with him. He had intended to go for his holidays to Shropshire, but he took a ticket to Newmarket at Liverpool Street. There were eight or ten others in the carriage. Witness was led into betting on the three-card trick. Four were playing besides himself. He watched for a while and then joined in. At the end of the journey he had lost £500. That was all done in a quarter of an hour. The man who worked the cards got out at Cambridge. At Newmarket Station witness went to the refreshment room, where he was joined by another man, who got into conversation with him. It was not Richards. He suggested they should go in the same victoria to the racecourse. They went into the 10s. ring. He knew nothing about racing, and had never been to Newmarket before. His companion said he had a friend who would put him up to tips. He, however, would arrange a meeting outside the ring, as his friend could not be seen giving tips before the bookmakers. They went outside the course, and Richards came up and was introduced to witness, and he offered to do for him the same as he did for his other friends. Richards then went away and came back in a few minutes and advised him to back two horses and he put £50 on each. He could not recollect their names. Richards said he was laying the bet on commission for a bookmaker. Witness gave Richards a £100 note, and he came back and said it was unfortunate the horses had not come in, but he would do better next time. Witness then thought he would try for himself, and he went into the ring and backed two horses, He then thought he had backed the wrong horses, and so he backed two more. He bet with Laburnum. One of the horses won, and Laburnum paid him back his £100 note and something in addition. Richards then came up and said he had been betting very foolishly, and he tried to induce him to back certain horses with him again. Witness did not wish to, but wanted to back two horses recommended by a sporting paper he had bought, and he did so. One of these horses won. He found that the plaintiff and his friend had disappeared, and witness was so disgusted that he left the course. He only parted with one note to Richards. He then returned to Newmarket station, where he had two hours to wait. Several men got into the carriage with him, one being a man who had come to the station with him. On the way up to London one of the strangers started the three-card trick again. When the others had lost all their money the man who had been talking to him induced him to go shares. He, however, paid. He lost £200 going back to London, and paid two £100 notes. The man who worked the cards jumped out of the train at Stratford. Witness did not hear the names of any of the men in the carriage. He had lost all his notes except one.

Cross-examined by Mr. Crispe: He told the man he met at Newmarket station coming back that he was going to Shropshire. He left Newmarket after the fourth race, and did not see Richards after the races. He backed the winner with Richards in that race and left the course because he could not find him. He gave Richards the note before the first race was run on which bets were made. As to the fourth race he did not give the note, having arranged to settle after the race. He had backed the horse at 50 to 1. He had only two transactions with Richards that day. Witness was in a very excitable condition at the time, but his recollection was very clear as to what took place. Richards did not appoint any place to meet him to settle up. He did not have a drink with Richards. He had seen Richards since that time and before his own arrest at King's Cross Station. Richards came into the ring after witness had made his bets with Laburnum and Marks, but he did not make any bet in the ring with Richards. Witness had made no enquiries about Richards. He thought he would have been much wiser if he had.

This concluded the evidence, and Mr. JUSTICE PHILLIMORE said he proposed to leave to the jury the question whether these two £100 notes were fairly won by the plaintiff, and as to the third note, whether it, or any part of it was fairly won.

Mr. BRAY then addressed the jury and said that if they accepted Goss's evidence it was perfectly clear that these notes were not fairly won. It was also perfectly plain that Richards was working in league with other persons and was in communication with some of these men who had been fleecing Goss at cards. Goss had nothing to gain by not telling the truth, whereas Richards, if he could, had to tell a story which would wash. Of course Richards knew that the third £100 note had been won by the three-card trick. The jury had to say whether they were satisfied that any of these notes were won by fair or honest means.

Mr. CRISPE replied, and

Mr. JUSTICE PHILLIMORE, in summing up, said that he had thought it advisable, whatever the law might be in regard to the position of the plaintiff, to let the case go to the jury and to take their opinion as to the facts. The bank said that the plaintiff could not obtain a good title to these notes by cheating a thief, and no doubt if the plaintiff had obtained these notes by cheating there was an end of his case. If the evidence of Mr. Davidson was accepted by the jury, it would appear that the plaintiff had admitted that he was guilty of some minor charges of cheating, and it was quite conceivable that he might have made such an admission to escape being charged with a much more serious offence. When that account was given before the magistrate Richards was discharged. It was a natural explanation as to how he had come into possession of these stolen notes. After describing how he had got the money from Goss in his statement to Davidson, the plaintiff made the curious remark, "I won this money fairly." If the jury believed that statement they could hardly think he had obtained these notes fairly. His Lordship commented at some length on the plaintiff's account of his betting transactions, and he left four questions to the jury:—Whether the first £100 note was fairly won by the plaintiff; whether the second £100 was fairly won by him; whether the third note or any part of it was fairly obtained; and, lastly, whether the plaintiff knew that the third note, or any part of it, had been obtained by means of the three-card trick.

The jury at once found that none of the notes were won fairly, and that the plaintiff knew that the third note was obtained by means of the three-card trick.

Judgment was therefore given for the defendants.

Mr. JUSTICE PHILLIMORE said he would add that he should have given judgment for the defendants anyhow, on the ground that there was no valuable consideration.

CHANCERY DIVISION, ENGLAND*

Oliver v. Bank of England

Where one of two trustees of stock, standing in their joint names in the books of the Bank of England, has sold it under a power of attorney to which the signature of his co-trustee was forged, and the bank has allowed a member of the firm of stock-brokers who applied jointly for and obtained the power to transfer the stock to other persons, the stockbroker who alone acted under the power and signed the transfer will be held liable to indemnify the bank for the loss they sustained by having to replace the stock, upon the ground that he has impliedly warranted his authority to the bank.

The other partners in the firm of stock-brokers are not proper defendants to an action for indemnity by the bank.

In December, 1897, the plaintiff Edgar Oliver, and his brother Frederick William Oliver, who was a solicitor, were jointly entitled, as trustees for other persons, to a sum of 2,633l 12s 6d 2¾ per cent. Consols, and a sum of 147l 5s 4d bank stock, standing in their names in the books of the Bank of England. On December 16, 1897, an application was made to the bank by Messrs. Starkey, Leveson & Cooke, a firm of stock-brokers, for a form of power of attorney from F. W. Oliver and E. Oliver to William John Starkey and Edward John Leveson for the sale of the Consols.

In this application the address of Edgar Oliver was given as No. 110 Cromwell Road, S.W., which was in reality the address of F. W. Oliver, while the address of F. W. Oliver was given as 61 Carey Street, W.C., where he carried on business as a solicitor. In the bank books the address of Edgar Oliver was entered as at Drayton, Ridgway, Wimbledon, but he had ceased to reside there. The notices relating to the application for the power of attorney were sent to both addresses of Edgar Oliver; the one sent to Wimbledon was returned through the Dead

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Letter Office, the other went to his brother's house, and never came to his knowledge. A form was supplied by the bank, and by a power of attorney dated December 20, 1897, executed by F. W. Oliver, and purporting to be executed by Edgar Oliver, they purported to appoint W. J. Starkey and E. J. Leveson their attorneys and attorney, jointly and severally, in their names, and on their behalf, and in the name and on behalf of the survivor, to sell and transfer the Consols, and do whatever was necessary for that purpose. On December 23, 1897, W. J. Starkey signed the demand to act by this letter of attorney, and on the same day the bank allowed W. J. Starkey, as attorney for the two Olivers, to transfer the Consols in their books to other persons.

On March 4, 1898, there was a similar application for a power of attorney for the sale of the bank stock. This also was executed by F. W. Oliver, and purported to be executed by Edgar Oliver. On March 8, the bank allowed W. J. Starkey to transfer the bank stock to other persons. In this instance also W. J. Starkey demanded to act alone under the power of attorney and signed the bank books as attorney for the transferors.

As a fact, Edgar Oliver was wholly unaware of the powers of attorney, and his signature to them was a forgery. On July 7, 1899, Frederick William Oliver died, and a few days afterwards Edgar Oliver, who had now become solely entitled to the trust funds, discovered that the Consols and bank stock had been transferred. He then brought this action against the Bank of England, claiming a declaration that the transfers were void and invalid against him by reason of his name having been forged to the powers of attorney, and that the bank was bound to replace the sums of stock, together with back dividends. On November 7, 1900, the bank served Messrs. Starkey, Leveson & Cooke with a third-party notice, claiming to be indemnified by the firm by reason of the representations made and warranty given in the forms of application for the powers of attorney; and by W. J. Starkey and E. J. Leveson, in the said powers of attorney, that they had the authority of the two Olivers to make the applications and act under the powers of attorney; and by W. J. Starkey acting on the powers of attorney and transferring the stocks. Evidence was given by the plaintiff that the signatures "Edgar Oliver" to the powers of attorney were not his, and that he received no part of the proceeds of the Consols or bank stock.

KEKEWICH, J., gave judgment for the plaintiff, making the declarations asked for by the claim.

The question then arose upon the third-party proceedings as to the liability of Messrs. Starkey, Leveson & Cooke, or each of them, to indemnify the bank against the loss which it had just been ordered to make good.

Evidence was adduced as to the practice of the bank in testing the signatures to powers of attorney. There were two clerks in the Power of Attorney Office, whose special duty it was to examine such signatures and compare them with others in the possession of the bank, and Edgar Oliver's signatures had been passed as genuine. Evidence of stockbrokers was also produced to show that they were accustomed to rely upon their solicitor clients who obtained the signatures to powers of attorney, and the stockbrokers had ordinarily no means of testing the genuineness of such signatures, and trusted to the examination by the bank authorities.

KEKEWICH, J.—This is a case of considerable importance, affecting a very large class of persons. It affects the whole class of brokers and bankers, and also other large bodies who are concerned in transfers of stocks and shares, such as, for instance, large railway companies. But, to my mind, the whole question is a very simple one of law, and of law only. The facts are really common to both parties. There is no dispute about them. The law which I have to apply is laid down in many cases, but I think I need only refer to one or two. I take the statement from the judgment given by Mr. Justice Willes in *Collen v. Wright*: "I am of opinion that a person, who induces another to contract with him as the agent of a third party by an unqualified assertion of his being authorized to act as such agent, is answerable to the person who so contracts for any damages which he may sustain by reason of the assertion of authority being untrue." That is explained a little further on, thus: "The obligation arising in such a case is well expressed by saying that a person, professing to contract as agent for another, impliedly, if not expressly, undertakes to or promises the person who enters into such contract, upon the faith of the professed agent being duly authorized, that the authority which he professes to have does in point of fact exist." Now, the same doctrine is enunciated in a case thirty years later —namely, *Fairbank v. Humphreys*, in the Court of Appeal, where Lord Esher expressed the doctrine thus: "The rule to be deduced is, that where a person by asserting that he has the authority of the principal induces another person to enter into any transaction which he would not have entered into but for that assertion, and the assertion turns out to be untrue, to the injury of the person to whom it is made, it must be taken that the person making it undertook that it was true, and he is liable personally for the damage that has occurred." The present Lord Lindley, then a member of the Court of Appeal, expresses it tersely, if I may venture to say so. He says; "Speaking generally an action for damages will not lie against a person who honestly makes a misrepresentation which misleads another. But to this general rule there is at least one well-established exception, viz., where an agent assumes an authority which he does not possess, and induces another to deal with him upon the faith that he has the authority which he assumes." Then he said that the case before him was within the exception to the rule.

Now, that is the law which, it seems to me, I have to apply, and I have to apply it to the very short facts of this case. I propose to dispose of it entirely on one point which, strictly speaking, is not pleaded, but which seems to me to be far more important than any of the other points which are put forward. In December, 1897, and on March 8, 1898, Mr. Starkey purported to transfer in the bank books bank stock and Consols, which could only be transferred in the bank books, and he signed as the attorney for the transferors. The transfers, of course, were made out in the ordinary form as transferred by the persons who were the owners of the stock in the bank books. That, to my mind, is a complete representation by him that he transferred as the attorney of the two Olivers—in other words, that he is a person authorized to transfer in their names. One need not pause to consider whether that is a contract within the meaning of *Collen v. Wright*, which applies to contract only, though I myself have no doubt that the principle of *Collen v. Wright* could not be confined to cases of contract in the strict sense of the word. But the other case, which I cited mainly for that purpose, of *Fairbank v. Humphreys*, shows that the principle of *Collen v. Wright* is applied to transactions which may or may not be contractual, and the transaction in this case comes within the decision. Now, unless there is some answer to that in the arguments which I have heard on behalf of Mr. Starkey, it follows that Mr. Starkey is liable on that principle, by an implied contract, to make good the loss which the bank has sustained by acting on those transfers, and allowing the stock to pass into the name of the other holders, and which loss it has been ordered to make good in the present action.

The first objection is that Mr. Starkey behaved honestly, in the belief that he had the authority of those principals in whose name he purported to act. That he did honestly believe it, nobody could possibly doubt, and he is acquitted of anything approaching an improper intent. According to the ordinary course of business precautions are often neglected which might with advantage and with a view to perfect safety be taken, but he says he honestly believed it. The defendants' counsel cited the cases of *Smout v. Ilbery* and *Polhill v. Watler* as authorities to show that honest belief excuses him. I doubt whether either of those cases goes that length, but there is certainly an expression in the judgment in *Smout v. Ilbery* which tends strongly in that direction, to say the least. *Polhill v. Watler* I think may possibly be explained by the peculiar character of the pleading. I doubt whether the judgment means more than that the defendant would not be liable on the pleading in that case. But there are modern cases which have dealt with the principle, and which have made no such exception; and it is to be observed that Lord Lindley, in the passage which I have before quoted, says that generally an action for damages will not lie against a person who honestly makes a misrepresentation which misleads another, and then he makes the exception which I have also read. It follows as a matter of course that the exception covers the whole of the rule, and that the person who honestly makes the representation, but so as to come within the exception that Lord Lindley lays down, is liable for that misrepresentation. But if that were not so I should have no difficulty in saying that these later cases, apart from any direct statement by any of the Judges, go further and expound the law more fully than it was expounded in *Smout v. Ilbery* and *Polhill v. Watler*, and that the authority of those later cases must be upheld as against the others.

Then the other objection is that the bank knew as much as Mr. Starkey knew himself, or at any rate, that it had the means of knowing. To a great extent that was true. It is possible, of course, that Mr. Starkey might have taken means to verify the signature of his principal; but the bank might have had the means also. The answer to that is that the bank is not bound to do anything of the kind. How far the bank authorities are bound to verify the signature to the execution of a power of attorney I do not pause to consider, but they certainly are not bound as between themselves and the person who demands to act under the power of attorney to see that the power of attorney has been properly executed. In discharge of their public duties they would probably think, as they always have thought, that it is better not to take the risk without all precautions that are possible, but they may throw the risk on the agent who comes, and leave it to him to justify his position if, unfortunately, it is necessary to do so. Then it is said that all this was known to these stockbrokers, and it is the practice of stockbrokers to rely on the bank, who, as they know, take these precautions. A great deal that the bank does in that way, as explained by the witnesses, is obviously a work of supererogation, and they are not bound to do it; and they are certainly not bound to tell the stockbroker, and as a matter of fact they do not do so, because one witness who was a member of the committee of the Stock Exchange, was very careful to say that he only knew of what was done externally. He does not know, the bank does not tell him, and the bank would not be right in telling him, all that takes place within the walls of the bank itself. That is no excuse.

According to the authorities, Mr. Starkey has honestly misrepresented a fact—he has honestly misstated that he was the duly authorized agent of the two stockholders, for the purpose of transferring those stocks. It is unfortunate for him that it turns out to be untrue; but according to the law, as settled by the cases to which I have referred, he is liable to that misrepresentation in point of fact.

The bank, however, has not been content only to sue Mr. Starkey, who executed the transfers, but has endeavoured to make liable his two partners; and although, of course, it does not matter a whit, because Mr. Starkey no doubt acted as one of the firm, and if he is liable no doubt that will set itself right as between himself and his partners—still I have to consider whether any relief can be granted against the others. To my mind the others were improperly made defendants, and I do not think any relief can be granted against them.

Mr. Starkey and his two partners together applied for a power of attorney. They all three made a misrepresentation, and they all three would be liable; but what is the action which we are considering?—I am treating it as if it were an entirely independent action, as perhaps it strictly ought to have been, though we are conveniently disposing of it on what is called a third-party notice. It is an action on an implied warranty; and all the cases lay down, without exception, that the remedy against the person who has purported to act as agent when he had no authority, is on that implied warranty which has injured the plaintiff; and in the action you can only recover those damages which have been suffered by reason of the breach of the implied warranty, or implied contract. Even if you could maintain an action technically without alleging and proving the damages incurred, at any rate you would get no relief. It is impossible to suggest that the application alone did the bank any harm, or caused it any injury at all. The application was made for the power, and the power was issued. It might very well have stopped there. [His Lordship then recapitulated the subsequent steps.] There was no warranty there which led to any damages, and no damages could possibly be recovered. But, besides that, we have the transfer ticket, signed in each case by Starkey and one of his partners—the one who was the other attorney in the power. It is quite impossible to sue for damages on that. It appears to me that an action founded on these representations which are the only real cases of misrepresentation which are alleged in the statement of claim, must inevitably fail. The statement of claim does not in terms state that the transfer was executed by this gentleman as attorney, but I think he is liable on that ground. Mr. Starkey must pay to the bank all that the bank is bound to pay to the plaintiff in the original action, including, of course, the costs which it has been ordered to pay, and also the costs of this third-party notice.

High Court of Justice of Ontario*

Rennie v. Quebec Bank

The sheriff cannot sell under execution the interest of a partner in partnership assets; only the partner's interest in tangible property of the partnership on which he has levied can be sold.

Whatever may be the case under R.S.O. 1897, ch. 51, sec. 58 (5), notice to the debtor of the assignment of a chose in action was not necessary under R.S.O. 1887, ch. 122, secs. 6-12, in order to perfect the transfer as between assignor, assignee, and debtor, but it was to protect the assignee against further assignments or any other right of set off, and secure the debtor against other claims.

A chose in action is not bound by execution put in the sheriff's hands, but only by seizure made thereunder.

A creditor not suing on behalf of all but seeking preferential payment out of a chose in action assigned by a debtor not shown to have been insolvent at the time of transfer and held by a bank for a valid debt cannot impeach the assignment as contrary to the Bank Act.

This was an action brought by John Rennie and M. J. Rennie, his wife, against the Quebec Bank, E. J. Henderson, who had been appointed by the Court receiver of the firm of Reid, Taylor & Bayne, which was ordered to be dissolved and wound up by the court in 1898, and in which Hugo Block had, since its formation in 1886, been a special partner to the amount of $20,000, and the said Hugo Block and Dora Block, his wife, to have it declared that a certain assignment by Hugo Block to the Quebec Bank dated February 4th, 1896, was fraudulent and void and made for the purpose of defeating the creditors of Block, and for an account of the dealings and transactions between the defendants Block and the Quebec Bank and of the securities held by the Bank for their indebtedness to it, and for a declara-

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**Ontario Law Reports*, vol. 1, part 2. Reported by A. H. F. Lefroy.

tion that the moneys found to be coming to the defendant Hugo Block on the winding up of the firm of Reid, Taylor & Bayne were the property of the plaintiff M. J. Rennie, and for other relief.

It appeared that John Rennie recovered judgment in May, 1896, against Hugo Block for $4,000 and placed execution thereon against goods and lands in the hands of the sheriff on July 10th, 1896; that shortly after this Hugo Block purported to assign to the Quebec Bank the $20,000 of special capital in the firm of Reid, Taylor & Bayne, together with a certain sum alleged to be the profits accrued to him as a partner in the said business, as security for an alleged indebtedness from him to the Bank, which was the assignment in this action sought to be declared void, and notice of which assignment was not given to the firm till July 28th, 1896; that on October 18th, 1898, pending the winding up of the business of Reid, Taylor & Bayne, the sheriff sold to the plaintiff M. J. Rennie, under the writs issued upon the aforesaid judgment, all the shares and interest of Hugo Block exigible under the execution, in the partnership assets of the business, and M. J. Rennie notified the defendant Henderson that she claimed to be entitled to the same, but the said Henderson nevertheless paid over to the Quebec Bank under its assignment the sum of $16,000 as the interest of Hugo Block ascertained upon a settlement between him and his co-partners.

The action was tried before MEREDITH, C.J., at the Toronto non-jury sittings on September 19th and 20th, 1900.

MEREDITH, C.J.:—The plaintiffs are husband and wife, and they make separate and somewhat inconsistent claims to the relief sought for against the defendants. The male plaintiff is a judgment creditor of Hugo Block, and the action, as far as it is his, seeks to set aside a transfer made in the year 1896 from Hugo Block to the Quebec Bank of certain interests which Block had in the firm of Reid, Taylor & Bayne, which are attacked upon several grounds, one of them being that the transaction was fraudulent against creditors, or was a fraudulent preference.

The action, as far as it is the wife's, is based upon her claim to be the owner of the interest of Block in the partnership assets, to which she claims title by a conveyance or bill of sale from the sheriff to her of the interest, so far as it was exigible in execution, of Block in the partnership assets of the firm.

The sale was made under a writ of *venditioni exponas* issued upon the judgment which the male plaintiff had recovered against Block.

Her position is that the Bank acquired no rights by the transfer because of the provisions of the Bank Act which forbid a bank taking as security for an indebtedness goods, wares or merchandise; and it was urged that the transfer to the Bank was of that which the statute forbids the Bank to take as security.

As far as the action of the male plaintiff is concerned it fails for the absence of evidence of that which is the foundation of the right to the relief which the plaintiff seeks. There is no evidence of insolvency actual or impending of the judgment debtor, Hugo Block, at the time the impeached transaction was entered into or of the intent of preferring the Bank over other creditors.

That is sufficient to dispose of this branch of the case. But it is possible that having regard to the nature of the claim which resulted in the judgment which Rennie obtained the case would be within the principle of some cases, one of which is the case of an action brought to set aside a transaction entered into by a debtor at a time an action for breach of promise was impending against him. It was held there that the transfer having been made, the debt or liability was not such as brought the case within the law forbidding transactions in fraud of creditors or voluntary transactions which had had the effect of diverting assets from creditors.

This claim of Rennie's was perhaps of that character, but it is unnecessary to express any decided opinion upon that point, because, apart from any such consideration, I think the case of the male plaintiff entirely fails.

Then as to the other part of the case, the defendants, while defending the transaction, attack the right of Mrs. Rennie to impeach it.

Her title, as I have said, depends upon a conveyance from the sheriff. The nature of that conveyance I have in general terms stated. I think nothing passed to Mrs. Rennie by it. The sheriff, although he qualified what he did by the words, "exigible in execution," referring to the interest he was selling and conveying, assumed to sell that intangible thing, the interest of the judgment debtor in the partnership assets. It is clear upon the authorities that that he could not do. He could not sell the goodwill. He could not sell the book debts. He had a right to seize the tangible property of the partners and sell the interest of the judgment debtor in those assets. He could have seized the partnership stock-in-trade and have sold the interest of Block in that, whatever difficulty there might have been in working out the rights of the purchaser under such bill of sale.

However, as I have said, that he did not do. There is nothing to show that he seized any of the goods of the partnership; and he certainly did not by the conveyance assume to sell the interest in the particular goods but to sell, as I have said, the intangible thing, the interest of the judgment debtor in the partnership assets.

. . . For these reasons it follows that it is unnecessary to consider the other important questions raised upon the argument and that the action must be dismissed and with costs.

Something was said in the course of the argument about the dismissal, if I came to the conclusion that the action should be dismissed, being without prejudice to any application which the plaintiff might be advised to make to the Court in the action with respect to the winding up of the partnership. In the view that I have taken such leave would be improper and useless, as I have come to the conclusion that Mrs. Rennie had no title whatever to the share of Hugo Block in the firm. If such an application were made, the judge who heard it would be bound by my adjudication upon that point; and therefore it would be proper, if the parties are not satisfied, that this case should be taken to appeal and have that question of law finally determined.

The plaintiff appealed to the Divisional Court and the appeal was argued on February 5th and 6th, 1901, before BOYD, C., and ROBERTSON, J.

The judgment of the Court was delivered by BOYD, C.:— The assignment of the debt from Block to the Quebec Bank was made on February 4th, 1896, and is therefore not subject to the law found in R.S.O. 1897, ch. 51, sec. 58 (5), but is to be considered under the prior law found in R.S.O. 1887 ch. 122, secs. 6-12.

Notice of the assignment was given to the firm liable to pay the claim assigned on July 28th, 1896, and the plaintiffs' execution against the goods was put in the sherift's hands on July 10th, 1896.

Now by the law at these dates notice of the assignment was not needed to vest a right of action in the assignee or in any way to perfect the transfer as between assignor and assignee. Notice was necessary in order to protect the assignee against further assignments by the assignor or against any right of set-off, and to secure the debtor against possible claims by other persons: secs. 11 and 12. Notice was not essential to complete the transfer as between assignor and assignee, or as between assignee and the debtor. If the debtor had not paid the assignor and had not received notice from anyone, he would be bound to pay the assignee, in equity under the statute. *Gorringe* v. *Irwill India Rubber and Gutta Percha Works* (1886), 34 ch. D. at p. 132, is exactly in point. Cotton, L.J., said: "It is contended that to make an assignment of a chose in action such as a debt, a complete charge, notice must be given to the debtor. It is true there must be such notice to enable the title of the assignee to prevail against a subsequent assignee . . . Though there is no notice to the debtor the title of the assignee is complete as against the assignor." To the same effect is the House of Lords in *Ward* v. *Duncombe*, [1893] A.C. at pp. 377, 392.

Now putting the execution in the sheriff's hands had no effect upon the prior assignment or upon the chose in action or debt due by the firm to Block in the subject of the assignment, for two reasons, first, the measure of the execution creditors' rights is only what the debtor can rightly give, and there was no interest remaining in the debtor as to this asset—supposing it to be seizable. But secondly, a chose in action is not bound by execution put in the sheriff's hands, but only by the seizure thereunder—which in this case did not happen at all events before the notice was given: R.S.O. 1877, ch. 77, sec. 18, as expounded *quoad* the original in *McDowell* v. *McDowell* (1863), 10 C.L.J. 48, in a judgment by Chancellor VanKoughnet which has been followed ever since 1863.

This was the point chiefly urged by Mr. Norris, but I do not see how it can be successfully maintained.

On the other branch of the case that the assignment to the Bank was contrary to the provisions of the Bank Act, 53 Vict. (1890), ch. 31, secs. 74 and 75, I think the objection is well taken that such a question cannot be discussed by a separate creditor seeking preferential payment out of the security assigned and held by the Bank for a valid debt. It is not found that Block was insolvent at the date of the transaction, and his estate is not now in the hands of an assignee for creditors, and his suit is not by a representative creditor suing on behalf of all.

On other points the judgment below is right also.

In the result I think the judgment should stand affirmed with costs of appeal.

HIGH COURT OF JUSTICE, ONTARIO

Ontario Bank v. Merchants Bank of Halifax*

The sole bond of a chartered bank, the claimant of the goods in question in an interpleader, approved of by the proper officer of the Court, is sufficient security for the forthcoming of the goods; it is not necessary to procure sureties, nor to give proof by affidavit of the responsibility of the bank.

The Merchants Bank of Halifax obtained a judgment in the High Court of Justice against the Ottawa Cold Storage and Freezing Company, and seized certain goods under execution, which were afterwards claimed by the Ontario Bank. Upon the application of the sheriff, an interpleader order was made by a local Judge at Ottawa directing the trial of an issue in the High Court of Justice between the Ontario Bank and the Merchants Bank of Halifax, and providing that the goods should be retained by the Ontario Bank upon their giving security therefor to the satisfaction of the deputy clerk of the Crown at Ottawa. The Ontario Bank filed their own bond as security, and the deputy clerk approved of it. The Merchants Bank of Halifax applied to the local Judge to disallow the bond, but he also approved of it, at least as regarded the question of the necessity for sureties. From his order the Merchants Bank of Halifax appealed.

The appeal was heard by Boyd, C., at the Ottawa Weekly Court on the 8th March, 1901.

Boyd, C.—The usual interpleader order was made according to Form 130, Holmested & Langton, p. 1420, requiring (if money not paid in) "security to be given to the satisfaction" of the deputy clerk of the Crown at Ottawa. That officer has approved of the sole bond of the claimants, the Ontario Bank, and his ruling has been affirmed by the learned local Judge. The appeal is on the ground that the bond should be entered into, as well, by sureties, with affidavits of justification by bank and sureties.

Nothing is said in the Rules as to the form which the security shall take. This is in contrast to the provision made as to security for costs, which is to be by bond of the party with two sufficient sureties (Rule 1205). So the like provision is made as to security in appeals (Rule 830) and also as to replevin (Rule 1072).

By the effect of the Consolidated Rules the former common law practice in interpleader matters was superseded by new pro-

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***Ont. Law Reports*, Vol. I, pt. 2. Reported by T. T. Rolph visions found under Rules relating to extraordinary remedies, and now grouped as Rules 1102-1122. Since these Rules it has been usual to give the security in the shape of a bond with one surety or more; see *Hogaboom v. Gillies* (1894), 16 P.R. 96; but the addition of another person besides the claimant to the bond is not inherent in the meaning of the term "security." The Master or Registrar is the person to be satisfied, and, no doubt, he would require solvent sureties to be bound if it was made to appear, or even suggested, that the one obligor was not of substance to answer for the value of the goods in seizure. The Master or other officer possesses the ordinary knowledge of the community as to the financial standing of public banks, and does not need to call for affidavits in order to satisfy himself of their substantial condition. It is a well known rule that in cases of costs no security is required where the absentee is the owner of available tangible property in his country: by parity of reason the bond of the bank should be accepted as sufficient security for the value of this property—in the absence of all legal evidence one way or the other, and having regard to the conclusion of the Registrar and the local Judge.

Costs of appeal in the cause or issue to the claimants.

UNREVISED FOREIGN TRADE RETURNS, CANADA

(000 omitted)

IMPORTS

Nine months ending February—	1899-1900		1900-1901	
Free	$ 4,383		$ 4,392	
Dutiable	8,281		8,295	
	$12,664		$12,687	
Bullion and coin	589	$ 13,253	176	$12,863
Month of March—				
Free	$ 50,679		$ 51,010	
Dutiable	79,016		78,001	
	$129 695		$129,011	
Bullion and Coin	5,963	$135,658	3,328	$132,339
Month of April—				
Free	$ 55,830		$ 56,534	
Dutiable	87,472		86,408	
	$143,302		$142,942	
Bullion and Coin	6,293	$149,595	3,397	$146,339
Total for eleven months		$ 298,506		$291,541

EXPORTS

Eight months ending February—				
Products of the mine	$ 8,699		$ 27,009	
" Fisheries	8,268		7 968	
" Forest	22,643		21,052	
Animals and their produce	43,319		42,753	
Agricultural produce	18,364		17,463	
Manufactures	8,512		10,199	
Miscellaneous	249		42	
	$110,054		$126,486	
Bullion and Coin	6,736	$116,790	1,297	$127,783
Month of March—				
Products of the mine	$ 952		$ 1,532	
" Fisheries	363		424	
" Forest	772		850	
Animals and their produce	2,666		2,790	
Agricultural produce	3,405		2.177	
Manufactures	1,331		1,205	
Miscellaneous	18		—	
	$ 9,507		$ 8,978	
Bullion and Coin	1,171	$10,678	161	$ 9,139

Month of April—				
Products of the mine	$ 1,180		$1,621	
" Fisheries	417		272	
" Forest	1,161		1,162	
Animals and their produce	2,201		2,755	
Agricultural produce	1,640		1,807	
Manufactures	1,275		1,429	
Miscellaneous	16		—	
	$7,890		$9,046	
Bullion and Coin	213	$ 8,103	179	$9,225
Total for ten months		$135,571		$146,147

SUMMARY (in dollars)

For ten months—	1899-1900	1900-1901
Total imports, other than bullion and coin	$285,661	$284,640
Total exports, other than bullion and coin	127,455	144,510
Excess (*Imp.*)	$158,206	$140,130
Bullion and coin, net (*Imp.*)	4,725	5,264

STATEMENT OF BANKS acting under Dominion Government charter for the months of March, April and May, 1901, and comparison with May, 1900:

LIABILITIES

	31st Mar., 1901	30th April, 1901	31st May, 1901	31st May, 1900
Capital authorized	$ 74,875,332	$ 74,875,332	$ 74,875,332	$79,108,664
Capital paid up	66,680,797	66,819,010	67,009,280	64,589,447
Reserve Fund	35,187,087	35,405,456	36,402,943	31,699,989
Notes in circulation	$ 47,611,967	$ 47,006,701	$46,148,234	$ 42,856,762
Dominion and Provincial Government deposits	5,955,254	5,930,580	5,671,101	6,130,822
Public deposits on demand *in Canada*	90,645,676	92,907,158	93,500,053	99,520,264
Public deposits after notice	210,033,367	215,352,273	222,175,847	176,503,361
Deposits elsewhere than in Canada	22,173,575	22,706,825	22,210,588	479,470
Loans from other banks in Canada, secured, *including bills rediscounted*	1,788,032	1,372,693	1,353,036	2,622,900
Deposits from and balances due other banks	2,626,351	2,756,438	2,664,686	66,852
Due to agencies of the bank and to other banks in United Kingdom	4,314,964	4,482,774	5,913,531	925,571
Due to agencies of the bank and to other banks elsewhere than in Canada and the United Kingdom.†	864,826	912,217	1,020,265	6,158,335
Other liabilities	5,535,293	7,374,465	10,827,369	917,941
Total liabilities	$391,549,383	$400,802,203	$411,484,789	$336,182 352

The changes in the Statement made by the Amendment of 1900 are indicated by italics.

ASSETS

Specie	$11,649,543	$11,819,200	$11,983,876	$10,729,280
Dominion notes	20,176,628	19,944,669	19,862,775	18,494,795
Deposits to secure note circulation	2,402,973	2,402,973	2,402,973	2,058,822
Notes and cheques on other banks	10,730,708	13,554,128	12,181,471	9,675,405
Loans to other banks in Canada secured, *including bills rediscounted*	1,715,167	1,342,692	1,328,036	458,185
Due by other banks in Canada	4,032,327	3,789,573	3,502,630	4,155,600
Due from agencies of the bank and from other banks in United Kingdom	3,144,003	4,149,055	2,907,383	5,992,243
Due from agencies and from other banks elsewhere than in Canada and the United Kingdom †	9,361,102	10,493,659	10,063,023	21,217,331
Dominion Government debentures or stocks	....	....	....	4,510,133
Dominion and Provincial Government securities	11,444,144	12,054,654	12,068,287	....
Canadian municipal securities, and British or foreign or colonial public securities other than Canadian	11,480,188	11,622,810	11,975,805	....
Railway and other bonds, debentures and stocks	28,243,623	28,293,006	30,252,406	31,230,696
Call *and short* loans on stocks and bonds *in Canada*†	33,004,857	32,617,029	32,961,442	28,900,129
Call and short loans elsewhere than in Canada	35,568,757	47,502,305	39,166,397	....
Current loans *in Canada* †	280,041,076	271,818,755	287,205,997	282,876,813
Current loans elsewhere than in Canada	19,580,081	20,374,386	22,773,453	....
Loans to Dominion and Provincial Governments	2,995,190	3,496,053	3,486,053	2,144,429
Overdue debts	2,208,728	1,940,336	1,489,225	1,583,931
Real estate	1,078,810	1,053,802	920,975	1,034,602
Mortgages on real estate sold	602,622	618,081	614,619	650,227
Bank premises	6,421,183	6,563,202	6,480,130	6,054,020
Other assets	6,361,528	6,119,055	7,727,309	4,282,541
Total assets	$502,243,420	$511,569,603	$521,354,459	$436,049,338
Loans to directors or their firms	$12,377,812	$12,062,084	$12,049,007	$10,005,081
Average amount of specie held during the month	11,624,296	11,870,296	11,954,516	10,147,371
Average Dominion notes held during the month	20,380,693	19,892,376	19,558,235	17,094,677
Greatest amount of notes in circulation during month	48,409,885	49,549,246	48,178,204	45,853,285

MONTHLY TOTALS OF BANK CLEARINGS at the cities of Montreal, Toronto, Halifax, Hamilton, Winnipeg, St. John, Vancouver and Victoria.

(000 omitted)

	MONTREAL		TORONTO		HALIFAX		HAMILTON	
	1899-00	1900-01	1899-00	1900-01	1899-00	1900-01	1899-00	1900-01
	$	$	$	$	$	$	$	$
June	63,756	65,543	41,189	44,545	5,461	6,187	3,224	3,342
July......	63,209	61,293	40,569	44,400	4.742	7,184	3,304	3,194
August ..	63,115	58,229	37,207	37,075	7,823	7,162	3,138	3,035
September	64,163	57,686	39,842	38,933	5,937	6,351	3,590	3,176
October ..	69,792	65,983	46,979	47,245	6,795	6,920	3,608	3,642
November	71,101	68,656	44,637	47,550	6,645	6,921	3,680	3,481
December	68,979	63,311	47,011	48.325	6,744	6,946	3,730	3.842
January ..	62,853	71,115	45,114	54,299	6,707	7,359	3,742	3,684
February .	54,250	51,138	37,864	41,946	5,354	6,116	3,040	2,922
March ...	54,882	69,580	40,581	50,062	5,868	6,191	3,171	3.398
April	55,915	69,132	38,842	49,079	6.004	6,923	3,099	3,519
May	62,332	84,507	43,215	55,608	5,984	6,549	3,493	4.031
	754.347	786,173	503,050	559,068	74,064	80,809	40,819	41,266

	WINNIPEG		ST. JOHN		VANCOUVER	VICTORIA
	1899-00	1900-01	1899-00	1900-01	1900-01	1900-01
	$	$	$	$	$	$
June	8,211	9,612	2,606	2,978	3,843	2,758
July......	8,169	9,395	2,753	3,468	4,286	2,986
August ..	7,995	8,173	3,103	3,561	4,391	2,875
September	8,281	7,320	3,004	3,340	4,301	2,639
October ..	12,689	9,183	2,814	3,362	4.956	3,070
November	14,435	11,618	2,903	3,115	4,008	3,151
December	12,966	10,869	2,963	3,213	3,686	2,443
January ..	9,906	9,623	3,033	3,092	3,369	3,257
February .	6,702	7,158	2,342	2,742	2,674	2,181
March ...	7,320	7,839	2,509	2,860	3,196	2,243
April	7,091	7,634	2,492	3,060	3.511	2,570
May	9,762	8,681	2,945	3,341	3,673	2,962
	113,527	107,105	33.467	38,132	45,894	33,135

CANADIAN BANKERS' ASSOCIATION

LIST OF ASSOCIATES

Abbott, C. C	Bank of Montreal
Abbott, J. H	Royal Bank of Canada
Abernethy, A. C	Bank of British North America
Acres, J. J	Canadian Bank of Commerce
Adair, John	Canadian Bank of Commerce
Adam, G. G	Ontario Bank
Adam, H. N. M	Imperial Bank of Canada
Adams, James H	Merchants Bank of Canada
Aird, James	Bank of Montreal
Aird, John	Canadian Bank of Commerce
Aitken, R. A. E	Peoples Bank of Halifax
Allan, Andrew	Halifax Banking Company
Allan, J. E	Union Bank of Halifax
Allan, W. A	Merchants Bank of Canada
Alley, J. A. M	Traders Bank of Canada
Ambridge, H. A	Molsons Bank
Ambrose, H. S	Bank of Montreal
Ambrose, J. R	Bank of British North America
Ambrose, W. J	Bank of Montreal
Anderson, D	Union Bank of Canada
Anderson, F	Royal Bank of Canada
Anderson, J	Bank of British North America
Anderson, J	Union Bank of Canada
Anderson, Jos	Union Bank of Canada
Anderson, M. A	Imperial Bank of Canada
Anderson, R. H	Bank of Nova Scotia
Anderson, S. P	Bank of Hamilton
Anderson, W. J	Bank of Montreal
Andrews, Ernest	Canadian Bank of Commerce
Andros, E. B	Bank of Toronto
Angus, A. F	Bank of Montreal
Angus, Jas. A	Bank of Montreal
Archibald, H. H	Halifax Banking Co
Appleton, L. E	Molsons Bank
Arkell, P	Imperial Bank of Canada
Armstrong, C. A	Commercial Bank of Windsor
Armstrong, C. R	Canadian Bank of Commerce
Armstrong, T. E. G	Bank of British North America
Arnaud, E. D	Union Bank of Halifax
Arnaud, F. H	Royal Bank of Canada
Arnaud, H. M	Union Bank of Canada

Arnold, C. M	Imperial Bank of Canada
Ashe, F. W	Union Bank of Canada
Atkinson, G. P	Dominion Bank
Atkinson, M	Bank of Toronto
Audet, J. B	Banque Nationale
Austin, Benj	Eastern Townships Bank
Austin, H. L. G	Bank of British North America

Babbitt, D. Lee	Peoples Bank of New Brunswick
Bailey, A. W	Union Bank of Canada
Baines, T. E	Bank of Hamilton
Baker, F. S	Imperial Bank of Canada
Baker, P. C	Eastern Townships Bank
Balcer, Leon G	Quebec Bank
Baldwin, C. M	Imperial Bank of Canada
Baldwin, G. S. G	Dominion Bank
Baldwin, J. M	Union Bank of Canada
Balfour, G. H	Union Bank of Canada
Ball, Wm. Lee	Eastern Townships Bank
Bancroft, W. M	Bank of Montreal
Banfield, J. W	Royal Bank of Canada
Bangs, John A	Bank of Ottawa
Banks, D. W	Union Bank of Canada
Barber, Manfred	Bank of Hamilton
Barchard, E. H	Royal Bank of Canada
Barnhardt, R	Molsons Bank
Barnum, J. L	Canadian Bank of Commerce
Barrow, R. S	Union Bank of Canada
Barry, J. F	Royal Bank of Canada
Bartlett, C	Bank of Hamilton
Bartlett, C. H	Bank of Hamilton
Bate, C. F	Merchants Bank of Canada
Bate, E. N	Imperial Bank of Canada
Baxter, W. C	Merchants Bank of Canada
Bayly, N	Bank of British North America
Beaumier, H	Banque d'Hochelaga
Begg, E. A	Dominion Bank
Begg, H. T	Bank of Nova Scotia
Begg, Wm. M	Bank of Toronto
Bell, F. W	Merchants Bank of Canada
Bell, G. S	Ontario Bank
Bell, J. P	Canadian Bank of Commerce
Bell, J. P	Bank of Hamilton
Bell, W	Imperial Bank of Canada
Bellhouse, G. Y	Bank of British North America
Bellhouse, Wm. A	Merchants Bank of Canada
Belt, H. R	Merchants Bank of Canada
Belt, W. G. H	Bank of British North America
Benedict, C. L	Bank of Montreal
Benson, J. H. D	Imperial Bank of Canada
Benson, J. J	Bank of Montreal
Bently, H. L	Union Bank of Halifax
Berlingnet, R. F	Quebec Bank
Bertrand, E. A	Banque d'Hochelaga

Bethune, F. A	Molsons Bank
Bethune, H. J	Dominion Bank
Biette, F	Western Bank of Canada
Bignell, A. E	Merchants Bank of Canada
Billett, J. Glanville	Union Bank of Canada
Billett, T. R	Canadian Bank of Commerce
Billings, C. C	Bank of Ottawa
Billingsley, F. C	Quebec Bank
Bingay, T. Van B	Exchange Bank of Yarmouth
Bingham, H. P	Merchants Bank of Canada
Birchall, A. S	Royal Bank of Canada
Bird, E. H	Canadian Bank of Commerce
Bird, J. Godfrey	Bank of Toronto
Bird, T. A	Bank of Toronto
Birely, W. R	Bank of Hamilton
Bishop, A. G	Merchants Bank of Canada
Black, John	Bank of Nova Scotia
Blagdon, J. F	Royal Bank of Canada
Blakeney, H	Merchants Bank of Canada
Blanchard, E. R	Banque de St. Hyacinthe
Blomfield, F. C	Bank of Montreal
Boddy, W. C	Standard Bank of Canada
Bogert, C. A	Dominion Bank
Bogert, M. S	Dominion Bank
Boire, H. N	Banque d'Hochelaga
Bonner, G. W. G	Bank of British North America
Booker, N	Traders Bank of Canada
Borbridge, F	Bank of Ottawa
Borden, F. A	Peoples Bank of Halifax
Boright, G. C	Eastern Townships Bank
Botsford, W. M	Royal Bank of Canada
Boulais, J. F	Banque d'Hochelaga
Boultbee, E. K	Imperial Bank of Canada
Boulton, F. J	Union Bank of Canada
Bourdreau, J. B. A	Molsons Bank
Bourinot, E. W	Union Bank of Canada
Bourne, G. G	Canadian Bank of Commerce
Bowles, Geo	Union Bank of Canada
Boyd, B. C. Barclay	Bank of New Brunswick
Boyer, A	Molsons Bank
Boyle, J. A	Imperial Bank of Canada
Braithwaite, A. D	Bank of Montreal
Bredin, R. S	Ontario Bank
Breedon, H. M	Bank of British North America
Breedon, J. N	Imperial Bank of Canada
Brewer, H. C	Molsons Bank
Brock, A. E	Royal Bank of Canada
Brock, H. B	Bank of British North America
Brock, W. F	Royal Bank of Canada
Broderick, A. T	Union Bank of Canada
Brodie, F. A	Bank of Toronto
Brodie, J. K	Standard Bank of Canada
Brodrick, A. B	Molsons Bank
Brodrick, P. W. D	Molsons Bank

Brookes, John	Bank of British North America
Brotherhood, R. H	Canadian Bank of Commerce
Brough, John M	Halifax Banking Co.
Brough, T. G	Dominion Bank
Brown, G. C	Imperial Bank of Canada
Brown, J.	Ontario Bank
Brown, Thomas	Dominion Bank
Brown, Vere C	Canadian Bank of Commerce
Brown, W. E	Dominion Bank
Browne, W. G	Canadian Bank of Commerce
Bruneau, A.	Banque d'Hochelaga
Brunel, E.	Bank Provinciale du Canada
Bruskey, F. A	Merchants Bank of Canada
Brydon, James	Canadian Bank of Commerce
Brymner, R. T	Canadian Bank of Commerce
Buchan, E	Bank of Hamilton
Buchan, J. L	Canadian Bank of Commerce
Burchell, A. S	Royal Bank of Canada
Burchell, John E	Royal Bank of Canada
Burn, Geo	Bank of Ottawa
Burns, G. H	Bank of British North America
Burns, H. D	Bank of Nova Scotia
Burnside, A. J	Canadian Bank of Commerce
Burrows, N. R	Union Bank of Halifax
Burrows, W. A	Merchants Bank of Canada
Butler, W. E	Merchants Bank of Canada
Butt, H. H	Bank of British North America
Butt, R	Bank of British North America
Butterfield, J	Bank of Hamilton
Byres, G. Martin	Ontario Bank

Caldwell, R. B	Ontario Bank
Caldwell, W.	Bank of Nova Scotia
Cameron, A. W	Bank of Nova Scotia
Cameron, Duncan	Royal Bank of Canada
Cameron, D. A	Canadian Bank of Commerce
Campbell, A. J. D	Bank of British North America
Campbell, A. M	Merchants Bank of Canada
Campbell, E. A	Bank of Hamilton
Campbell, J. E	Banque de St. Hyacinthe
Campbell, J. H	Molsons Bank
Campbell, P.	Bank of Toronto
Cant, Joseph	Bank of British North America
Capreol, A. R	Imperial Bank
Carlisle, Thos	Molsons Bank
Carmichael, F	Bank of Montreal
Carmichael, J. A. O	Canadian Bank of Commerce
Carnegie, B. G	Canadian Bank of Commerce
Carr, Arthur J	Bank of British North America
Carreau, G. P	Banque Nationale
Carriere, J	Bank of Ottawa
Carruthers, Geo.	Merchants Bank of Canada
Carter, B. B	Union Bank of Canada
Carter, E. H	Canadian Bank of Commerce

Carter, J. H	Canadian Bank of Commerce
Cassels, D. S	Bank of Hamilton
Cassels, L. G	Dominion Bank
Cassels, R	Imperial Bank
Cassels, R	Canadian Bank of Commerce
Chadwick, E. A	Imperial Bank of Canada
Chalmers, M. C.	Traders Bank of Canada
Chandler, W. M	Canadian Bank of Commerce
Chapman, A. B	Bank of British North America
Chapman, J. R.	Bank of British North America
Charles, D. H	Canadian Bank of Commerce
Checkley, E. R	Merchants Bank of Canada
Chester, A	Merchants Bank of Canada
Chipman, W. W. L	Molsons Bank
Chisholm, Geo. R	Royal Bank of Canada
Chisholm, T. A	Canadian Bank of Commerce
Chisholm, W. S	Merchants Bank of Canada
Christie, A. E	Union Bank of Canada
Christie, T. N	Union Bank of Canada
Christie, W. J	Bank of Ottawa
Clark, A	Imperial Bank of Canada
Clark, D. B	Bank of British North America
Clark, R	Bank of Montreal
Clark, R. S	Imperial Bank of Canada
Clarke, C. H. Stanley	Imperial Bank of Canada
Clawson, J	Bank of New Brunswick
Clement, A	Banque Nationale
Clinch, C. W	Molsons Bank
Clouston, E. S	Bank of Montreal
Clouston, W. S	Bank of Montreal
Cochran, E. J	Peoples Bank of Halifax
Cockburn, F. J	Bank of Montreal
Codd, Selby	Bank of Ottawa
Coffin, T. C	Quebec Bank
Cole, Francis	Bank of Ottawa
Coleman, H. J	Traders Bank of Canada
Collard, W. H	Imperial Bank of Canada
Collins, R. D	Molsons Bank
Colson, H. A	Ontario Bank
Connally, W. S	Molsons Bank
Conolly, R. G. W	Canadian Bank of Commerce
Cook, C	Standard Bank of Canada
Cooke, C. H. S	Merchants Bank of Canada
Cooke, Wm.	Merchants Bank of Canada
Cooke, W. A	Canadian Bank of Commerce
Coombs, E. G	Peoples Bank of Halifax
Cooper, W. F	Bank of Toronto
Cooper, W. J	Merchants Bank of Canada
Copeland, W. A	Bank of Toronto
Côté, J. E	Banque Nationale
Cotton, F. C	Royal Bank of Canada
Couét, A. E	Banque Nationale
Couét, L	Banque Nationale
Coulson, D	Bank of Toronto

Coulthard, W. B	People's Bank of New Brunswick
Cowan, R. L.	Canadian Bank of Commerce
Cowdry, E.	Canadian Bank of Commerce
Cowie, A. G.	Bank of British North America
Craig, F. L	Imperial Bank of Canada
Craig, H. J.	Western Bank of Canada
Craig, Will	Bank of Toronto
Cran, J	Bank of British North America
Crane, John	Ontario Bank
Crawford, F. L.	Canadian Bank of Commerce
Creelman, A	Imperial Bank of Canada
Creighton, B. R.	Standard Bank of Canada
Creighton, J. S	Peoples Bank of Halifax
Crispo, F. W. S.	Union Bank of Canada
Crombie, D. B	Quebec Bank
Crombie, R. B.	Bank of Montreal
Crompton, R. W.	Canadian Bank of Commerce
Crosbie, C. A.	Royal Bank of Canada
Cross, F. O.	Canadian Bank of Commerce
Cross, Lionel F.	Canadian Bank of Commerce
Crossley, F.	Canadian Bank of Commerce
Crowdy, W. H.	Royal Bank of Canada
Crowe, L. F	Royal Bank of Canada
Crump, P. A.	Canadian Bank of Commerce
Cruthers, S.	Union Bank of Canada
Cumberland, C. R.	Bank of British North America
Cumberland, D.	Bank of British North America
Currie, A. E.	Canadian Bank of Commerce
Currie, R. S.	Royal Bank of Canada
Curry, P. A.	Commercial Bank of Windsor
Cuthbertson, G. J	Bank of Toronto
Daly, Simcoe, M	Canadian Bank of Commerce
Dampier, L. H.	Canadian Bank of Commerce
Daniel, G. W.	Bank of Nova Scotia
Daniels, Fred	Bank of Montreal
Davidson, H. R.	Canadian Bank of Commerce
Davidson, R., jr.	Imperial Bank of Canada
Davis, R. B.	Bank of Hamilton
Davis, R. G.	Ontario Bank
Deacon, C. F.	Bank of British North America
Deans, H. G. P.	Bank of British North America
DeGuise, L.	Banque Nationale
Delmage, A. C. E.	Merchants Bank of Canada
DeMille, F. W.	Halifax Banking Company
Dennison, E. O.	Union Bank of Canada
De Veber, Boies	Halifax Banking Company
Dewar, D. B..	Canadian Bank of Commerce
Dick, John M.	Bank of New Brunswick
Dick, William	Bank of Montreal
Dickie, M.	Royal Bank of Canada
Dickens, A. H.	Bank of Ottawa
Dickinson, C.	Canadian Bank of Commerce
Dickinson, H. S.	Bank of Toronto

Dickinson, W. H	Bank of Ottawa
Dickinson, Wm	Royal Bank of Canada
Dimock, R. V	Royal Bank of Canada
Dinwoodie, J. R	Quebec Bank.
Dixon, F. J	Bank of British North America
Dobell, E. C	Bank of Montreal
Dodge, L. A	Commercial Bank of Windsor
Doner, W. A	Bank of Toronto
Douglas, Geo. H	Imperial Bank of Canada
Dowler, C. E. A	Canadian Bank of Commerce
Downie, D. H	Canadian Bank of Commerce
Draper, W. H	Molsons Bank.
Dromgole, E. R	Merchants Bank of Canada
Drouin, L	Banque Nationale
Duff, J. M	Canadian Bank of Commerce
Dufresne, J. M	Banque Nationale
Dumoulin, P. B	Molsons Bank
Duncan, J. F	Canadian Bank of Commerce
Dunnet, A. G	Bank of Ottawa
Dunsford, C. R	Union Bank of Canada
Dunsford, W. H	Canadian Bank of Commerce
Dupuy, H. S	Bank of Montreal
Durnford, A. D	Molsons Bank
Dusault, J. H.	Banque Nationale
Duthie, E	Bank of Montreal
Dykes, P	Merchants Bank of Canada

Earle, Earnest A.	Royal Bank of Canada
Easson, C. H	Bank of Nova Scotia
Easton, Geo. C	Imperial Bank of Canada
Eckardt, H. M. P.	Merchants Bank of Canada
Eddis, J. H	Imperial Bank of Canada
Edwards, J. B	Bank of Toronto
Eliot, James	Molsons Bank
Eliot, W. L	Bank of Montreal
Elliott, John	Standard Bank of Canada
Elliot R	Molsons Bank
Elliot, R. W	Union Bank of Halifax
Ellis, A. E	Bank of British North America
Ellis, Robt. L	Bank of British North America
Elmsly, J.	Bank of British North America
Embury, W	Merchants Bank of Canada
Ervin, Chas. K	Royal Bank of Canada
Esson, J. L.	Bank of Nova Scotia
Evans, H. P. D	Molsons Bank

Farwell, E. C	Imperial Bank of Canada
Farwell, Wm	Eastern Townships Bank
Faucher, J. D	Quebec Bank
Fee, Jas. L	Bank of Toronto
Fenton, T. R	Imperial Bank of Canada
Ferguson, B. T	Bank of Toronto
Ferguson, D. A	Molsons Bank
Ferguson, J. H	Royal Bank of Canada

Fewings, E. J.	Merchants Bank of Canada
Fidler, J. E.	Molsons Bank
Finnie, D. M.	Bank of Ottawa
Finnis, Chas	Bank of British North America
Finucane, F. J.	Bank of Montreal
Finucane, W. J.	Merchants Bank of Canada
Fisher, Guy A.	Union Bank of Canada
Fisher, Henry G	Bank of Montreal
Fisher, W. H.	Canadian Bank of Commerce
Fitton, H. W.	Canadian Bank of Commerce
Flemming, H. A	Bank of Nova Scotia
Foote, T. M.	Canadian Bank of Commerce
Forbes, D. J	Halifax Banking Co.
Forrest, G. E.	Eastern Townships Bank
Forrest, H. F	Union Bank of Canada
Forrest, S. L.	Bank of Ottawa
Forrest, W. W.	Bank of Ottawa
Forrester, R. W.	Royal Bank of Canada
Forsayeth, B.	Bank of Hamilton
Forster, J. A.	Imperial Bank of Canada
Fortier, S	Banque d'Hochelaga
Fosbrooke, P. R. B.	Molsons Bank
Foster, C. L.	Canadian Bank of Commerce
Foster, G. C.	Imperial Bank of Canada
Fowler, E. B.	Bank of Toronto
Fox, Chas. J	Western Bank of Canada
Fox, Ernest A.	Canadian Bank of Commerce
Francis, F. B.	Canadian Bank of Commerce
Fraser, A. B.	Bank of Montreal
Fraser, A. C.	Merchants Bank of Canada
Fraser, Hector	Bank of Ottawa
Fraser, J. S. C.	Bank of Montreal
Freeman, C. D.	Bank of Nova Scotia
Frigon, A. J. C.	Banque d'Hochelaga
Frizzle, J. R.	Union Bank of Halifax
Fuller, E. H.	Bank of Toronto
Fulton, J. W.	Royal Bank of Canada
Fulton, R. H.	Royal Bank of Canada
Fyshe, Thomas	Merchants Bank of Canada

Galbraith, R. S.	Imperial Bank of Canada
Galbraith, W.	Union Bank of Canada
Galletly, A. J. C.	Bank of Montreal
Galloway, J. J.	Merchants Bank of Canada
Gardiner, H. J.	Royal Bank of Canada
Garrett, B.	Bank of British North America
Gauthier, J. N.	Banque de St. Jean
Gerrard, Geo. B.	Bank of British North America
Gibb, J. S.	Imperial Bank of Canada
Gibbs, G. M.	Canadian Bank of Commerce
Gibson, W. L.	Canadian Bank of Commerce
Gilbert, M. A.	Imperial Bank of Canada
Gill, Robert	Canadian Bank of Commerce
Gillard, J. H.	Bank of British North America

Gilleland, L. J	Traders Bank of Canada
Gillespie, G.	Canadian Bank of Commerce
Giroux, C. A.	Banque d'Hochelaga
Girvan, Samuel	Bank of New Brunswick
Glennie, G. G	Bank of Nova Scotia
Godfrey, W	Bank of British North America
Godwin, C. B	Quebec Bank
Godwin, F. R.	Bank of Ottawa
Gomery, B. V	Molsons Bank
Gomery, Percy	Canadian Bank of Commerce
Goodall, A. J	Imperial Bank of Canada
Gordon, J. S	Bank of Hamilton
Gordon, T. A. G.	Molsons Bank
Gordon, W	Imperial Bank of Canada
Gosling, F. J	Bank of Hamilton
Gould, R. J	Bank of Toronto
Gowdy, A. B.	Traders Bank of Canada
Gower, E. P	Canadian Bank of Commerce
Graham, Percy	Peoples Bank of Halifax
Gray, Fred. H	Standard Bank of Canada
Gray, H. A.	Bank of Hamilton
Gray, H. M	Bank of Montreal
Gray, J. E	Standard Bank of Canada
Gray, M. E.	Bank of Ottawa
Gray, V. G.	Bank of British North America
Gray, W. M	Merchants Bank of Canada
Gray, W. S.	Dominion Bank
Greata, J. M	Bank of Montreal
Green, Albert	Royal Bank of Canada
Green, A. R	Imperial Bank of Canada
Green, H.	Merchants Bank of Canada
Greenhill, G. V. J	Merchants Bank of Canada
Gresley, N. B	Bank of British North America
Griffin, F. F	Bank of Ottawa
Griffin, Geo. H	Bank of Montreal
Grindley, H. S	Bank of British North America
Groff, H. H	Molsons Bank
Grubbe, E. H	Bank of Montreal
Grubbe, R. W	Bank of Toronto

Haberer, E.	Molsons Bank
Hagerman, A. E	Ontario Bank
Hague, F	Merchants Bank of Canada
Hague, Geo.	Merchants Bank of Canada
Hague, Geo. E	Merchants Bank of Canada
Hahn, F. X	Merchants Bank of Canada
Haines, H	Canadian Bank of Commerce
Hall, H. E	Bank of New Brunswick
Hall, P. G	Royal Bank of Canada
Hall, T. G	Bank of British North America
Halls, F. E	Peoples Bank of Halifax
Halstead, A. G	Merchants Bank of Canada
Hamel, J	La Banque d'Hochelaga
Hamilton, A. L	Canadian Bank of Commerce

Hamilton, H. H	Merchants Bank of Canada
Hamilton, J. W	Bank of British North America
Hamilton, M. D	Canadian Bank of Commerce
Harcourt, J. L	Canadian Bank of Commerce
Hargraft, E. W	Bank of Toronto
Harman, G. H	Bank of Montreal
Harper, C. G	Merchants Bank of Canada
Harper, J. F.	Bank of Hamilton
Harries, H. A	Molsons Bank
Harris, C. E	Royal Bank of Canada
Harris, F. St. C.	Union Bank of Halifax
Harris, R. W. D	Bank of British North America
Harrison, L. F	Royal Bank of Canada
Harrison, R. M	Union Bank of Canada
Harrison, T. S	Canadian Bank of Commerce
Harrison, W. H	Halifax Banking Co.
Harshaw, W. B	Merchants Bank of Canada
Hart, M. C	Bank of Hamilton
Hart, W. D	Standard Bank of Canada
Harvey, H. A	Bank of British North America
Harvey, W. C	Union Bank of Halifax
Harwood, Chas. DeV	Quebec Bank
Haun, A. W	Bank of Hamilton
Hawkins, G. N. C	Peoples Bank of Halifax
Hay, E	Imperial Bank of Canada
Hazen, A. P	Bank of British North America
Hearn, A. R. B	Imperial Bank of Canada
Hebblewhite, W. A	Imperial Bank of Canada
Hebert, J. B	Quebec Bank
Hedley, J. M	Canadian Bank of Commerce
Helm, W. J	Bank of Toronto
Henderson, G. A	Bank of Montreal
Henderson, Joseph	Bank of Toronto
Henderson, W. T	Imperial Bank of Canada
Henwood, H. B	Bank of Toronto
Heron, V. W. S	Canadian Bank of Commerce
Herring, B. A	Bank of Ottawa
Hespeler, Jacob	Molsons Bank
Hettle, H. W	Union Bank of Canada
Heward, E. H	Merchants Bank of Canada
Hiam, J. S	Bank of Ottawa
Hilborn, W	Canadian Bank of Commerce
Hill, G. N. T	Canadian Bank of Commerce
Hill, J. F. H	Merchants Bank of Canada
Hill, J. W	Merchants Bank of Canada
Hill, T. S	Dominion Bank
Hillory, Norman	Traders Bank of Canada
Hinds, W. G	Merchants Bank of Canada
Hoare, C. S	Royal Bank of Canada
Hobson, J. J	Bank of Hamilton
Hodder, M. S	Merchants Bank of Canada
Hodgetts, G. W	Bank of Toronto
Hodgetts, Thos	Bank of Toronto
Hodgins, E. S	Canadian Bank of Commerce

Hogg, W., jr	Canadian Bank of Commerce
Holden, M. E	Dominion Bank
Holland, G. A	Canadian Bank of Commerce
Holland, H. F	Bank of Toronto
Hollyer, A. J	Bank of Montreal
Holt, A. E	Bank of Montreal
Holt, Grange V	Canadian Bank of Commerce
Hood, John	Bank of Ottawa
Hood, J. D	Imperial Bank of Canada
Hooper, B. O	Bank of Hamilton
Hope, F	Bank of British North America
Hopkins, H., jr	Bank of Toronto
Hopkirk, F. B	Bank of Ottawa
Horne, G. H	Canadian Bank of Commerce
Hornsby, O. A	Royal Bank of Canada
Houseman, J. E	Molsons Bank
Houston, W. R	Dominion Bank
Howard, H	Ontario Bank
Howard, M	Royal Bank of Canada
Hubbell, J. L	Canadian Bank of Commerce
Hughes, B. W	Union Bank of Canada
Hungerford, R. F	Merchants Bank of Canada
Hunt, J. S	Molsons Bank
Hunter, E. P	Quebec Bank
Hunter, F. J	Bank of Montreal
Hurdon, N. D	Molsons Bank
Hutcheson, S. M	Western Bank of Canada
Hutchinson, F. W	Canadian Bank of Commerce
Hutchison, H. G.	Western Bank of Canada
Hyde, H. E	Union Bank of Canada
Hyndman, M	Bank of Ottawa
Imrie, J	Bank of Nova Scotia
Inglis, R	Bank of British North America
Ireland, A. H	Canadian Bank of Commerce
Irwin, J	Bank of British North America
Jackson, A. E. P	Canadian Bank of Commerce
Jackson, E. C	Traders Bank of Canada
James, Victor C	Merchants Bank of Canada
Jardine, J. Walter	Bank of Nova Scotia
Jarvis, Arthur S	Union Bank of Canada
Jarvis, Edgar R	Canadian Bank of Commerce
Jarvis, E. W	Bank of Montreal
Jarvis, F. S	Merchants Bank of Canada
Jarvis, Gerald	Bank of Ottawa
Jarvis, S. J	Bank of Montreal
Jemmett, F	Merchants Bank of Canada
Jemmett, F. G	Canadian Bank of Commerce
Jemmett, H.	Canadian Bank of Commerce
Jennings, J. B	Western Bank of Canada
Jennings, R. C	Canadian Bank of Commerce
Johns, T. W	Bank of Yarmouth
Johnson, F. W. G	Molsons Bank

Johnson, J. W. F	Canadian Bank of Commerce
Johnston, L. R	Molsons Bank
Johnston, J. M	Quebec Bank
Johnston, W. C	Canadian Bank of Commerce
Jones, A. F. H	Traders Bank of Canada
Jones, E. C	Bank of Montreal
Jones, G. W	Standard Bank of Canada
Jones, H. V. F	Canadian Bank of Commerce
Jones, R. L. Y	Quebec Bank
Jones, Stephen L	Dominion Bank
Jones, T. Roy	Bank of Nova Scotia
Jost, Percy M	Royal Bank of Canada
Joy, W. O	Merchants Bank of Canada
Jubin, C. E	Union Bank of Halifax
Jubin, H. W	Union Bank of Halifax
Jukes, A	Imperial Bank of Canada

Kains, A	Canadian Bank of Commerce
Kains, J. M	Imperial Bank of Canada
Kane, P. H	Bank of Ottawa
Karn, F. E	Molsons Bank
Kavanagh, C. R	Bank of Ottawa
Kay, E. J	Imperial Bank of Canada
Kay, John	Canadian Bank of Commerce
Kelly, J	Standard Bank of Canada
Kelso, H. M	Ontario Bank
Kemp, D	Royal Bank of Canada
Kemp, J. A. C	Canadian Bank of Commerce
Kemp, J. C	Canadian Bank of Commerce
Kennedy, C. A	Bank of Nova Scotia
Kenny, C. H	Bank of Ottawa
Kenny, L. F.	Royal Bank of Canada
Kenrick. C. E	Canadian Bank of Commerce
Kessen, Blaikie R	Bank of Ottawa
Ketchum, C. V	Bank of Toronto
Kilgour, W. A	Canadian Bank of Commerce
Kilvert, F. E., Jr	Bank of Hamilton
Kimball, F. E	Bank of Toronto
King, R. W. H	Eastern Townships Bank
King, W. C. J	Canadian Bank of Commerce
Kingsford, G. E	Dominion Bank
Kirk, C	Bank of British North America
Kirkland, Angus	Bank of Montreal
Kirkpatrick, G. R. F.	Imperial Bank of Canada
Kirkpatrick, J. R	Molsons Bank
Kirkpatrick, Wm. R.	Royal Bank of Canada
Kirkwood, T	Bank of British North America
Knight, A. S	Bank of Nova Scotia
Kohl, E. F	Molsons Bank
Kortwright, E. A	Bank of Toronto
Kydd, Geo	Royal Bank of Canada

Labadie, P. A	Banque Nationale
Laberge, C. J	Merchants Bank of Canada

Lacasse, J. F	Banque d'Hochelaga
Lafrance, P. G	Banque Nationale
Laing, G. F	Bank of British North America
Laing, R. T	Canadian Bank of Commerce
Laird, Alex	Canadian Bank of Commerce
Laird, D. R	Bank of Nova Scotia
Laird, G. G	Canadian Bank of Commerce
Lamb, J. R	Bank of Toronto
Lambe, Lionel	Bank of Toronto
Lamont, Malcolm	Canadian Bank of Commerce
Lamontaigne, E	Quebec Bank
Langmuir, J. A	Imperial Bank of Toronto
Langton, J. G	Ontario Bank
Larke, C	Standard Bank of Canada
Larose, Maurice	Quebec Bank
LaRue, J. A	Banque Nationale
Latimer, C. R	Bank of Toronto
Latournelles, W. V	Molsons Bank
Lavoie, C	Banque Nationale
Lavoie, N	Banque Nationale
Lawson, A. E	Commercial Bank of Windsor
Lawson, Reginald	Bank of Nova Scotia
Lawson, Walter	Commercial Bank of Windsor
Lay, Harry M	Canadian Bank of Commerce
Lay, J. M	Imperial Bank of Canada
Leach, Hugh	Bank of Toronto
Leavitt, J. D	Union Bank of Halifax
LeDoux, A. O	Eastern Townships Bank
Luduc, F. G	Banque d'Hochelaga
Leduc, L. Z	Merchants Bank of Canada
Lefroy, A. B	Bank of Toronto
Lefroy, A. G	Imperial Bank of Canada
Le Mesurier, G. G	Imperial Bank of Canada
Lemieux, J	Merchants Bank of Canada
Leslie, A	Bank of British North America
Leslie, J	Bank of Montreal
Leslie, N. G	Imperial Bank of Canada
Lewis, C. A	Merchants Bank of Canada
Lewis, J. D	Imperial Bank of Canada
Lewis, Norman F	Canadian Bank of Commerce
Lister, F. A. W	Merchants Bank of Canada
Little, A. F	Union Bank of Halifax
Little, John R	Merchants Bank of Canada
Livingstone, J. S	Merchants Bank of Canada
Lloyd, C. H	Ontario Bank
Lockwood, H	Bank of Montreal
Lockwood, H	Molsons Bank
Logan, A. H	Bank of Ottawa
Logan, F. W	Canadian Bank of Commerce
Lombard, J. H	Bank of Nova Scotia
Long, F. S	Bank of British North America
Louchs, H. B	Merchants Bank of Canada
Love, C. A	Imperial Bank of Canada
Low, A	Union Bank of Canada

Low, H. Ryland	Molsons Bank
Lugsdin, W. H	Canadian Bank of Commerce
Luxton, A. G. H	Bank of Hamilton
Lyde, Geo	Halifax Banking Co.
Lyon, R. A.	Imperial Bank of Canada
Lytle, H. J	Ontario Bank

Macbeth, F	Molsons Bank
MacCallum, A	Bank of British North America
Macdonald, W	Imperial Bank of Canada
Macdonell, A. J	Ontario Bank
MacGachen, A. F. D	Bank of Montreal
MacGachen, F. L	Merchants Bank of Canada
MacGillivray, D	Canadian Bank of Commerce
MacGowan, W. J	Merchants Bank of Canada
MacHaffie, L. G	Bank of British North America
Machaffie, W. A	Merchants Bank of Canada
Macintyre, G	Dominion Bank
MacKenzie, A. H. B	Canadian Bank of Commerce
MacKenzie, C. E	Royal Bank of Canada
Mackenzie, G. H	Royal Bank of Canada
MacKenzie, G. P	Bank of British North America
Mackenzie, H. B	Bank of British North America
Mackenzie, J. M	Imperial Bank of Canada
Mackinnon, Jas	Eastern Townships Bank
Mackintosh, A. St. L	Merchants Bank of Canada
Mackintosh, C. D	Canadian Bank of Commerce
Macklem, Herbert	Imperial Bank of Canada
MacMahon, H. P	Traders Bank of Canada
MacNamara, D	Bank of Ottawa
Macneill, W. C	Bank of Nova Scotia
Macnider, A	Bank of Montreal
Macoun, F. J	Canadian Bank of Commerce
Macnutt, E. A	Royal Bank of Canada
Macpherson, R. C	Canadian Bank of Commerce
McAdam, H. N	Imperial Bank of Canada
McBrine, J. H	Bank of Toronto
McCaffry, Thos. F	Union Bank of Canada
McCaw, A. S	Eastern Townships Bank
McCleneghan, A. B	Imperial Bank of Canada
McClintock, E. S. V	Bank of Montreal
McCormick, R	Royal Bank of Canada
McCosh, R. G	Canadian Bank of Commerce
McCurdy, D. A	Halifax Banking Company
McCurdy, E. A	Royal Bank of Canada
McCurdy, F. B	Halifax Banking Company
McDonald, Arthur	Bank of New Brunswick
McDonald, W	Union Bank of Halifax
McDougall, Allan	Quebec Bank
McDougall, A. R	Dominion Bank
McDougall, F	Royal Bank of Canada
McDougall, H. H	Royal Bank of Canada
McDougall, Thomas	Quebec Bank
McEachern, T. W	Bank of Toronto

McGill, C.	Ontario Bank
McGill, V. C.	Ontario Bank
McGillivray, A.	Bank of Toronto
McGregor, D.	Canadian Bank of Commerce
McHarrie, R. C.	Canadian Bank of Commerce
McHeffey, W. L.	Royal Bank of Canada
McInnes, D.	Banque d'Hochelaga
McIntosh, J. M.	Dominion Bank
McIreith, W. W.	Royal Bank of Canada
McIsaac, John A.	Royal Bank of Canada
McKay, G. B.	Bank of Toronto
McKay, N. R.	Imperial Bank of Canada
McKee, G. W.	Canadian Bank of Commerce
McKeen, John	Bank of Nova Scotia
McKenzie, N. S.	Merchants Bank of Canada
McKie, W. R.	Merchants Bank of P. E. I
McLaggan, C. E.	Union Bank of Halifax
McLaren, D.	Bank of Ottawa
McLaren, H. D.	Bank of Hamilton
McLean, A. D.	Merchants Bank of Canada
McLennan, D.	Canadian Bank of Commerce
McLeod, J. A.	Bank of Nova Scotia
McMain, F. E. P.	Royal Bank of Canada
McMaster, T. G.	Canadian Bank of Commerce
McMichael, H. M.	Bank of British North America
McMullen, E. W.	Merchants Bank of Canada
McMurray, L. S.	Bank of Toronto
McNeil, R. S.	Bank of Nova Scotia
McQuaid, J. H.	Merchants Bank of P. E. I.
McRae, A. D.	Union Bank of Halifax
Mabon, S. W.	Bank of Nova Scotia
Magee, J. E.	Merchants Bank of Canada
Magee, T. W.	Halifax Banking Company
Mair, Geo.	Traders Bank of Canada.
Malpas, F. C.	Canadian Bank of Commerce
Mann, F. A.	Merchants Bank of Canada
Manson, Wm.	Canadian Bank of Commerce
Marchand, A.	Molsons Bank
Margetts, P.	Bank of British North America
Marler, W. L.	Merchants Bank of Canada
Marquis, H. G.	Bank of British North America
Marsh, F. H.	Imperial Bank of Canada
Marsland, C. B.	Molsons Bank
Martin, James	Bank of Ottawa
Massey, F. V.	Bank of Ottawa
Massey, George	Bank of Montreal
Massey, W. M.	Bank of British North America
Matheson, G. A.	Canadian Bank of Commerce
Mathewson, F. H.	Canadian Bank of Commerce
Mathewson, W. H.	Canadian Bank of Commerce
Maynard, Wm.	Canadian Bank of Commerce
Meldrum, W. A.	Merchants Bank of Canada
Mellish, A. E.	Royal Bank of Canada

Merrett, T. E	Merchants Bank of Canada
Metzler, R. H	Halifax Banking Company
Meynell, W. B	Royal Bank of Canada
Middleton, W. E	Ontario Bank
Miller, D	Merchants Bank of Canada
Miller, G. A	Merchants Bank of Canada
Millidge, J. J	Union Bank of Canada
Minty, F. C. G	Canadian Bank of Commerce
Minty, H. I	Canadian Bank of Commerce
Mitchell, J. H	Bank of Ottawa
Mitchell, W. F	Royal Bank of Canada
Mobray, E. R	Royal Bank of Canada
Mockridge, Jas	Bank of Toronto
Moffat, W	Imperial Bank of Canada
Moles, G. H	Bank of Ottawa
Molson, A. E	Union Bank of Canada
Molson, J. D	Molsons Bank
Monk, John B	Bank of Ottawa
Montgomery, R. J	Canadian Bank of Commerce
Montizambert, A	Bank of Montreal
Moody, F. W	Bank of Nova Scotia
Mooney, Andrew	Bank of Nova Scotia
Moore, C	Bank of British North America
Moore, E. A	Bank of Montreal
Moorman, J	Halifax Banking Co
Morden, H. J	Standard Bank of Canada
More, John C	Merchants Bank of Canada
Moreau, W. A	Banque de St. Hyacinthe
Moreault, J. F	Molsons Bank
Morehouse, W. E	Eastern Townships Bank
Morey, S. F	Eastern Townships Bank
Morgan, C. G	Merchants Bank of Canada
Morgan, H. H	Imperial Bank of Canada
Morris, H. H	Canadian Bank of Commerce
Morris, J	Ontario Bank
Morris, M	Canadian Bank of Commerce
Morris, M	Imperial Bank of Canada
Morrison, Duncan C	Molsons Bank
Morrison, J. H	Halifax Banking Company
Morrison, J. J	Bank of British North America
Morrison, P. W	Royal Bank of Canada
Morrison, R. P	Halifax Banking Company
Morson, W. C. T	Canadian Bank of Commerce
Morton, C. E. H	Merchants Bank of Canada
Morton, W. D	Bank of Toronto
Mosher, H. E	Commercial Bank of Windsor
Mowat, John	Bank of Nova Scotia
Moyle, J. R	Bank of British North America
Muckleston, A. J	Canadian Bank of Commerce
Mullen, James G	Canadian Bank of Commerce
Munro, A. D	Bank of Nova Scotia
Munro, K. V	Canadian Bank of Commerce
Munro, Geo	Merchants Bank of Canada
Munro, Geo. W	Peoples Bank of Halifax

Munro, J. S	Canadian Bank of Commerce
Murray, A. H	Imperial Bank of Canada
Murray, F. L	Royal Bank of Canada
Murray, Hugh, Jr	Bank of Hamilton
Murray, J. F	Canadian Bank of Commerce
Murray, J. McE	Canadian Bank of Commerce
Murray, J. W	Commercial Bank of Windsor
Murray, William	Canadian Bank of Commerce
Mussen, R. T	Canadian Bank of Commerce

Naftel, F. J	Bank of Montreal
Nash, A. E	Bank of Montreal
Nasmith, H. C	Canadian Bank of Commerce
Nasmith, S. J	Imperial Bank of Canada
Naylor, W. S	Molsons Bank
Neeve, J. H	Bank of Ottawa
Neill, C. E	Royal Bank of Canada
Nesbitt, H. W	Merchants Bank of Canada
Neville, C. D	Bank of British North America
Niblett, E. R	Bank of Hamilton
Nicoll, J. C	Bank of British North America
Niles, C. H	Eastern Townships Bank
Noble, C. J	Canadian Bank of Commerce
Noble, F. D	Merchants Bank of Canada
Norsworthy, S. C	Bank of Montreal
Nowers W. H	Merchants Bank of Canada
Nunns, A. L	Imperial Bank of Canada

O'Grady, G. deC	Canadian Bank of Commerce
O'Grady, J. W. deC	Bank of Montreal
O'Halloran, J. M	Eastern Townships Bank
Oliver, D. B	Union Bank of Canada
Oliver, F. G	Merchants Bank of Canada
Oliver, W. T	Bank of British North America
Olivier, E. P	Eastern Townships Bank
Ord, A. B	Traders Bank of Canada
O'Reilly, H. H	Bank of Hamilton
O'Reilly, H. R	Canadian Bank of Commerce
Osborne, A. C	Ontario Bank
Osler, D. F	Imperial Bank
Owen, L. C	Bank of Ottawa

Paddon, J. A	Bank of Montreal
Pangman, H. G	Canadian Bank of Commerce
Paquin, G. Z	Merchants Bank of Canada
Pardee, G. C	Bank of Montreal
Parker, A. D	Canadian Bank of Commerce
Parker, E. G	Bank of Ottawa
Parker, F. A	Merchants Bank of Canada
Parker, W. D	Ontario Bank
Parkes, C. M	Bank of Toronto
Parkes, G. E	Canadian Bank of Commerce
Parkes, T. G. A	Royal Bank of Canada
Parsons, H. B	Canadian Bank of Commerce

Pashby, R	Bank of Toronto
Pashley, F. W	Molsons Bank
Paterson, N	Imperial Bank of Canada
Paterson, R. W	Bank of Ottawa
Patterson, A. B	Merchants Bank of Canada
Patterson, C. A	Bank of Hamilton
Patterson, E. L. S	Eastern Townships Bank
Patterson, G. M	Canadian Bank of Commerce
Patton, F. L	Dominion Bank
Patton, R. C	Quebec Bank
Peace, W. A	Dominion Bank
Peacock, C. S	Union Bank of Canada
Pearce, W. K	Dominion Bank
Pearson, C. W. R	Union Bank of Canada
Pease, Edson L	Royal Bank of Canada
Peden, G. R	Bank of Ottawa
Pegram, W. H	Canadian Bank of Commerce
Pemberton, G. C. T	Canadian Bank of Commerce
Pennington, Wm. J. G	Bank of British North America
Pennock, C. G	Bank of Ottawa
Pennock, H. P	Bank of Ottawa
Pepler, A	Dominion Bank
Pepler, C. E	Dominion Bank
Percival, W. F.	Bank of Toronto
Peterson, F. J	Imperial Bank of Canada
Pethick, H. S	Bank of Nova Scotia
Phepoe, T. B	Molsons Bank
Philip, W	Imperial Bank of Canada
Phillips, E. S	Merchants Bank of Canada
Phillpotts, W. E	Bank of British North America
Phipps, A. E	Imperial Bank of Canada
Phipps, A. R	Canadian Bank of Commerce
Pinkham, J	Imperial Bank of Canada
Pitt, Edward	Bank of Montreal
Playter, E. M	Canadian Bank of Commerce
Plummer, J. H	Canadian Bank of Commerce
Polson, Hugh	Canadian Bank of Commerce
Pool, John	Traders Bank of Canada
Pope, Frank H	Ontario Bank
Porter, H. A	Royal Bank of Canada
Porter, Jas. S	Bank of Toronto
Pottenger, F. W	Merchants Bank of Canada
Pousette, H. W	Imperial Bank of Canada
Powell, Carlos S	Quebec Bank
Powell, W. B	Imperial Bank of Canada
Power, E. V	Bank of Ottawa
Pratt, Edward C	Molsons Bank
Pratt, W. H	Molsons Bank
Prendergast, M. J. A	Banque d'Hochelaga
Pringle, A. D	Merchants Bank of Canada
Pringle, John	Bank of Toronto
Pringle, W	Merchants Bank of Canada
Proctor, J. R	Union Bank of Canada
Pugh, Henry J	Union Bank of Canada

Putnam, Arthur G	Royal Bank of Canada
Racey, E. F	Bank of British North America
Radcliffe, D. A	Ontario Bank
Rae, H. C	Canadian Bank of Commerce
Ramsay, A. Gordon	Bank of British North America
Ramsden, F. G	Bank of Toronto
Rapsey, W. J	Ontario Bank
Ratz, D. D	Traders Bank of Canada
Raymond, S. D	Imperial Bank of Canada
Raynes, H. F	Union Bank of Canada
Read, Charles N	Merchants Bank of Canada
Read, H. L	Merchants Bank of Canada
Reade, C. W	Imperial Bank of Canada
Reeve, R. F	Bank of Montreal
Reid, E. R	Commercial Bank of Windsor
Reid, George P	Standard Bank of Canada
Reid, H. L	Imperial Bank of Canada
Reikie, K. W	Canadian Bank of Commerce
Rhodes, W. C	Molsons Bank
Rice, O. F	Imperial Bank of Canada
Richardson, J. A	Imperial Bank of Canada
Richardson, M. A	Imperial Bank of Canada
Richardson, S. A	Bank of Montreal
Richardson, W. G	Bank of Montreal
Richey, M. S. L	Bank of Montreal
Ridout, A. H	Bank of Hamilton
Ridout, A. W	Canadian Bank of Commerce
Rintoul, R	Bank of Montreal
Robarts, A. W	Canadian Bank of Commerce
Robarts, E. C	Imperial Bank of Canada
Roberts, J. P	Bank of British North America
Robertson, A	Bank of Nova Scotia
Robertson, Blair	Bank of Nova Scotia
Robertson, David	Bank of Ottawa
Robertson, F. O	Union Bank of Halifax
Robertson, W. J	Canadian Bank of Commerce
Robinson, C. A	Bank of British North America
Robinson, Edwd. N	Eastern Townships Bank
Robinson, F. M	Bank of Hamilton
Robinson, H. B	Bank of Montreal
Robinson, P. C	Bank of Nova Scotia
Robinson, R. A	Bank of British North America
Robinson, Wm. H	Eastern Townships Bank
Robinson, W. J	Bank of British North America
Robitaille, G. S. F	Quebec Bank
Ross, C. A	Dominion Bank
Ross, C. G	Ontario Bank
Ross, F. J	Merchants Bank of Canada
Ross, Norman	Traders Bank of Canada
Ross, R	Dominion Bank
Ross, W. D	Bank of Nova Scotia
Rothwell, H. L	Canadian Bank of Commerce
Rowley, A. H	Bank of Nova Scotia

Rowley, C. W	Canadian Bank of Commerce
Rowley, H. H	Bank of British North America
Rowley, O. R	Bank of British North America
Roy, E. G	Imperial Bank of Canada
Rudderham, H. E	Peoples Bank of Halifax
Ruggles, J. W	Bank of Nova Scotia
Rumsey, A	Imperial Bank of Canada
Rumsey, C. S	Traders Bank of Canada
Russell, J. A	Halifax Banking Company
Russell, W	Bank of Hamilton
Russell, W. C	Canadian Bank of Commerce
Rutland, H. G	Bank of Hamilton
Ruttan, H. A	Canadian Bank of Commerce
Ryan, J. W	Union Bank of Halifax

St. Jean, E. G.	Merchants Bank of Canada
Sampson, A. R	Dominion Bank
Sanson, D. M	Canadian Bank of Commerce
Saunders, A. L	Bank of Ottawa
Saunders, E. M	Canadian Bank of Commerce
Savage, A. H. H	Bank of Toronto
Savage, W. J	Canadian Bank of Commerce
Sawker, E. C	Dominion Bank
Scarth, C. G	Bank of Montreal
Scarth, J. F	Imperial Bank of Canada
Schell, H. P	Canadian Bank of Commerce
Scholfield, G. P	Standard Bank of Canada
Scott, A	Canadian Bank of Commerce
Scott, Robert C	Merchants Bank of Canada
Secord, H. C	Imperial Bank of Canada
Secord, H. C	Canadian Bank of Commerce
Sewell, H. F. D	Canadian Bank of Commerce
Shadbolt, E. M	Bank of Montreal
Shannon, F. S	Bank of Ottawa
Shannon, W. T	Standard Bank of Canada
Sharpe, E. M.	Merchants Bank of Canada
Sharpe, O. H.	Bank of British North America
Sharpe, T. B.	Bank of Ottawa
Shaw, G. H.	Quebec Bank
Shaw, H. B.	Union Bank of Canada
Shaw, Robert	Merchants Bank of Canada
Sherman, F. J.	Royal Bank of Canada
Short, F. T.	Bank British North America
Short, H. A.	Eastern Townships Bank
Shreve, F. J	Merchants Bank of Canada
Siegel, J.	Union Bank of Canada
Simpson, A.	Ontario Bank
Simpson, C. D	Union Bank of Canada
Simpson D.	Bank of British North America
Sinter, Thos. S.	Bank of British North America
Skeaff, Jno. S	Bank of Toronto
Skelton, Arthur C.	Bank of British North America
Skey, A. H.	Bank of Hamilton
Skey, Harvey F.	Bank of British North America

Skey, Wm. Russel	Molsons Bank
Slack, F. W.	Eastern Townships Bank
Slack, N. H	Eastern Townships Bank
Sloane, B. O'R	Quebec Bank
Sloane, S. F	Dominion Bank
Sloane, W. P	Quebec Bank
Smart, R. H	Traders Bank of Canada
Smart, S. R	Molsons Bank
Smith, A. M	Merchants Bank of Canada
Smith, A. M	Royal Bank of Canada
Smith, A. V	Union Bank of Halifax
Smith, Chas. C	Quebec Bank
Smith, Edward F	Royal Bank of Canada
Smith, Fred W	Union Bank of Canada
Smith, G. Vernon	Bank of Ottawa
Smith, Geo. W	Canadian Bank of Commerce
Smith, H. H	Molsons Bank
Smith, J. A	Canadian Bank of Commerce
Smith, J. C	Bank of Ottawa
Smith, Wm. H	Ontario Bank
Smith, W. Thomson	Traders Bank of Canada
Somerville, P. H. M	Eastern Townships Bank
Spencer, A. V	Merchants Bank of Canada
Spencer, W. A	Royal Bank of Canada
Spier, Wm	Eastern Townships Bank
Spink, G. A	Royal Bank of Canada
Spragge, G. E	Imperial Bank of Canada
Sproat, John	Bank of Hamilton
Spurden, J. W	Peoples Bank of New Brunswick
Stavert, E. P	Summerside Bank
Stavert, W. E	Bank of Nova Scotia
Steckle, A	Western Bank of Canada
Steeves, A. A	Royal Bank of Canada
Stephens, C. A	Bank of Toronto
Stephens, W. S	Molsons Bank
Sterns, G. W	Halifax Banking Company
Sterns, S. S	Bank of Nova Scotia
Stevens, G	Eastern Townships Bank
Stevens, H. S	Bank of Hamilton
Stevenson, B. B	Quebec Bank
Stevenson, H. H	Molsons Bank
Stewart, C. J	Merchants Bank of P. E. I.
Stewart, D. M	Royal Bank of Canada
Stewart, H. M	Canadian Bank of Commerce
Stewart, J. A	Standard Bank of Canada
Stewart, J. D	Bank of Ottawa
Stewart, J. P. L	Union Bank of Halifax
Stewart, W. J	Standard Bank of Canada
Stidston, J. H	Imperial Bank of Canada
Stikeman, H	Bank of British North America
Stork, C. M	Canadian Bank of Commerce
Strathy, E. K	Union Bank of Canada
Strathy, Frank W	Union Bank of Canada
Strathy, H. S	Traders Bank of Canada

Strathy, Stuart	Traders Bank of Canada
Stratton, W. A	Bank of Toronto
Strickland, C. N. S	Union Bank of Halifax
Strickland, P. D. E	Quebec Bank
Strong, F. T	Imperial Bank of Canada
Strong, F. W	Merchants Bank of Canada
Stuart, John H	Bank of Hamilton
Sutherland, A. H	Union Bank of Canada
Sweeny, C	Bank of Montreal
Swinton, Rigby	Bank of Hamilton
Sylvestre, C. A	Banque d'Hochelaga
Symons, A. H.	Union Bank of Halifax

Tait, A. Gordon	Royal Bank of Canada
Tait, T. J.	Union Bank of Canada
Tapper, W. H.	Bank of Nova Scotia
Tate, L. E	Molsons Bank
Taylor, Frank W	Royal Bank of Canada
Taylor, F. W	Bank of Montreal
Taylor, Geo. A	Royal Bank of Canada
Taylor, J.	Bank of British North America
Taylor, J. A.	Royal Bank of Canada
Taylor, Jas. G.	Halifax Banking Co.
Taylor, P. B	Bank of Ottawa
Taylor, R. F	Merchants Bank of Canada
Theoret, J. H.	Banque d'Hochelaga
Thomas, J. E.	Canadian Bank of Commerce
Thomas, Wm. S.	Bank of New Brunswick
Thompson, G. M.	Eastern Townships Bank
Thompson, J. E.	Eastern Townships Bank
Thomson, G. A.	Halifax Banking Co.
Thomson, H. A. H	Molsons Bank
Thomson, W. H	Imperial Bank of Canada
Thornton, A. S	Canadian Bank of Commerce
Thornton, C. H	Imperial Bank of Canada
Tibbits, A. R	Peoples Bank of New Brunswick
Tod, J	Bank of British North America
Todd, H. E	Merchants Bank of Canada
Tofield, H. A	Merchants Bank of Canada
Torrance, W. B	Royal Bank of Canada
Torrey, L. E	Royal Bank of Canada
Towers, A. S	Bank of Toronto
Townshend, A. S	Halifax Banking Co.
Travers, R. G. H	Bank of Montreal
Travers, W. R	Merchants Bank of Canada
Trenholme, H. W	Canadian Bank of Commerce
Trepanier, J	Banque d'Hochelaga
Trigge, A. St. L	Canadian Bank of Commerce
Tupper, W. E	Union Bank of Halifax
Turgeon, J. E	Banque d'Hochelaga
Turnbull, E. M	Commercial Bank of Windsor
Turnbull, J	Bank of Hamilton
Turnbull, T. M	Canadian Bank of Commerce
Tytler, P. B	Merchants Bank of Canada

Vallee, P.	Banque Nationale
Van Felson, A. B	Peoples Bank of Halifax
Veasey, G	Union Bank of Canada
Verchere, A. G	Canadian Bank of Commerce
Vessey, A. E	Bank of Nova Scotia
Vibert, Philip	Union Bank of Canada
Viets, G. R.	Bank of Nova Scotia
Von Cramer, D	Royal Bank of Canada

Waddell, J. B.	Union Bank of Canada
Wadsworth, W. R.	Bank of Toronto
Wainwright, C. E	Union Bank of Halifax
Wainwright, G. C	Bank of Ottawa
Wainwright, J. C	Bank of Montreal
Wainwright, J. R	Molsons Bank
Walkem, H. C	Bank of British North America
Walker, B. E.	Canadian Bank of Commerce
Walker, C	Dominion Bank
Walker, J.	Imperial Bank
Walker, J.	Quebec Bank
Wallace, H. N	Halifax Banking Co.
Wallace, James B.	Merchants Bank of Canada
Wallace, R. G.	Bank of Nova Scotia
Wallace, R. R.	Bank of Montreal
Wallace, Wm.	Molsons Bank
Wallace, W. S	Bank of Hamilton
Walsh, Ed.	Royal Bank of Canada
Walsh, J. W. B.	Dominion Bank
Ward, A. H.	Traders Bank of Canada
Ward, E. E.	Molsons Bank
Warden, W. McC	Bank of Toronto
Waters, D	Bank of Nova Scotia
Watson, C. E	Union Bank of Canada
Watson, H. M	Bank of Hamilton
Watson, Jas	Traders Bank of Canada
Watson, J. W. G	Bank of Montreal
Watson, W. W	Bank of Nova Scotia
Waud, B. H	Molsons Bank
Waud, E. W	Molsons Bank
Webb, E. E	Union Bank of Canada
Webster, H. C	Bank of Montreal
Webster, L. J	People's Bank of Halifax
Wedd, G. M	Canadian Bank of Commerce
Wedd, John C	Dominion Bank
Wedd, L. E	Bank of Hamilton
Weir, W. A	Imperial Bank of Canada
Wetherell, J. E	Canadian Bank of Commerce
Wethey, C. H	Imperial Bank of Canada
Wethey, H. L	Canadian Bank of Commerce
White, A. W	Canadian Bank of Commerce
White, Chas	Imperial Bank of Canada
White, G. A	People's Bank of Halifax
White, H. R.	People's Bank of Halifax
Whitely, A. L	Imperial Bank of Canada

Wickson, Arthur	Merchants Bank of Canada
Wiggins, C. Malcolm	Ontario Bank
Wilkie, D. R.	Imperial Bank of Canada
Wilkinson, R. G.	Imperial Bank of Canada
Williams, A. E.	Bank of Nova Scotia
Williams, E. L.	Standard Bank of Canada
Williams, Geo.	Canadian Bank of Commerce
Williams, H. F.	Eastern Townships Bank
Williams, R. A.	Canadian Bank of Commerce
Williams, R. S.	Canadian Bank of Commerce
Williamson, George	Molsons Bank
Willis, J. M.	Ontario Bank
Willmott, J. S.	Merchants Bank of Canada
Wilmot, K. E.	Bank of Montreal
Wilson, A. E.	Bank of Montreal
Wilson, Geo.	Imperial Bank of Canada
Wilson, G. H.	Bank of Montreal
Wilson, H. B.	Molsons Bank
Wilson, H. P.	Royal Bank of Canada
Wilson, J. H.	Imperial Bank of Canada
Wilson, J. H.	Bank of Montreal
Wilson, M. W.	Royal Bank of Canada
Winans, B. G.	Royal Bank of Canada
Winlow, F. J.	Traders Bank of Canada
Winslow, E. P.	Bank of Montreal
Winslow, F. E	Bank of Montreal
Winter, G. H.	Bank of British North America
Wonham, H. E. C.	Bank of Montreal
Wood, J.	Bank of British North America
Woodburn, H. F.	Royal Bank of Canada
Woods, F. G.	Bank of Montreal
Woollcombe, F.	Union Bank of Canada
Worrell, J. A.	Bank of Montreal
Worthington, H. S.	Eastern Townships Bank
Wrenshall, C. M.	Merchants Bank of Canada
Wright, J. E.	Bank of Montreal
Wright, Percy	Bank of Toronto
Wright, Wm. L.	Union Bank of Halifax
Wurster, Geo.	Merchants Bank of Canada
Wurtele, Carl F.	Quebec Bank
Wurtele, H.	Merchants Bank of Canada
Wyatt, W. L.	Molsons Bank
Wyld, Ernest A.	Canadian Bank of Commerce

Yates, T. E.	Ontario Bank
Young, C. A.	Peoples Bank of Halifax
Young, F. W.	Union Bank of Canada
Young, J. H.	Imperial Bank of Canada
Young, R. B.	Imperial Bank of Canada
Young, W. A.	Merchants Bank of Canada
Young, W. C.	Merchants Bank of Canada
Yule, E. B.	Ontario Bank

QUESTIONS ON POINTS OF PRACTICAL INTEREST

FORM FOR QUESTIONS

The Editing Committee

Journal of the Canadian Bankers' Association, Toronto.

Please give your opinion on the following point
by mail*
in the next issue of the Journal

Question :

If the question does not call for an answer by mail, the enquirer's name need not be given if he so prefers.

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